



Sullivan, Powers & Co.

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL CORPORATION

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Independent Auditor's Report

Honorable Mayor and City Council
City of Burlington
Burlington, Vermont 05401

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Burlington, Vermont as of and for the year ended June 30, 2005, which collectively comprise the City of Burlington, Vermont's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Burlington, Vermont's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Electric Department Fund which is a major fund and thirty-nine percent (39%), forty-one percent (41%), and sixty-three percent (63%), respectively, of the assets, net assets and revenues of the Business-type Activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Electric Department Fund, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Burlington, Vermont, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and School General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Information included under Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the City of Burlington, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Sullivan, Powers & Company

March 8, 2006
Montpelier, Vermont
Vt Lic. #92-000180



Management's Discussion and Analysis

As management of the City of Burlington, Vermont (The City), we offer readers of the City's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2005.

Financial Highlights

Government-wide Statements (refer to Exhibits A and B)

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$163,201,308 (total net assets). Of this amount, \$21,388,317 (unrestricted net assets) may be used by the various funds of the City to meet its ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$10,545,663 during this fiscal period. Governmental activities increased by \$6,245,367 and Business-type activities increased by \$4,300,296.
- The total net assets of a component unit of the City, the Burlington Community Development Corporation amounted to \$1,144,552, an increase of \$32,154 for the year.

Fund Financial Statements (refer to Exhibit C and Footnote IV J.)

- As of the close of the fiscal year ending June 30, 2005, the City's governmental funds reported combined ending fund balances of \$9,034,531. This consists of a fund balance in the General Fund of \$2,783,451, in the School Fund of \$818,739, and \$5,432,341 in all other governmental funds.
- The reserved portion of the governmental fund balance includes \$437,553 for inventories and prepaid expenditures and \$8,970,940 set aside for other restricted purposes.
- Management has designated \$1,316,461 of the fund balance for three purposes. \$606,570 has been designated for development of the Industrial Park near the Airport, \$96,343 has been designated for recycling costs, and \$613,548 has been designated in the School Fund for education purposes.
- The undesignated fund balance of the General Fund component of the governmental funds had a positive ending fund balance of \$303,678, an increase of \$52,003 from the previous fiscal year.
- The undesignated fund balance of the other governmental funds reported as a group amounted to a shortfall of (\$1,860,781), an increase of \$1,981,203. This was due primarily to the timing of the receipt of state grants, federal grants, tax increments, and reimbursements for capital projects and development projects. Simply put, revenues for grants funds received 60 days or more after the end of the fiscal year are deferred and counted in the period they are received as required by GASB Statement #33.



Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the finances of the City of Burlington, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Burlington's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Burlington that are primarily supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Burlington include general government, safety services, public works, cultural and recreation activities, schools, traffic control and parking, the operation of an outdoor mall in the downtown area, and community and economic development. The business-type activities of the City include the operation of the Airport, the Electric, Water, and Wastewater Utilities, and the Burlington Telecom activities and the food services operation and vocational educational programs administered by the School Department.

The government-wide financial statements are designed to include not only the City of Burlington itself (known as the primary government), but also any legally separate entities for which it is financially accountable (known as component units). The City of Burlington has one such unit, that being the Burlington Community Development Corporation (BCDC) that is organized to carry out the industrial and economic development of the City.



The government-wide financial statements can be found in Exhibits A and B of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Burlington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City of Burlington maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the school fund, which are considered to be major funds.

The City of Burlington adopts an annual appropriated budget for its General Fund and School General Fund. A budgetary comparison statement has been provided for the general fund and the School general fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found in Exhibits C through F of this report.

Proprietary funds. The City of Burlington maintains one type of proprietary activity. Enterprise funds are used to report the same functions presented in business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its operation of the Airport Fund, the Electric Department, the Water Fund, the Wastewater Fund, Burlington Telecom, and the School Department's Food Services and Vocational Education Funds.



Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Airport Fund, the Electric Fund, the Water Fund, and the Wastewater Fund. The School Enterprise Fund and the Burlington Telecom Fund are combined under Other Proprietary Funds.

The basic proprietary fund financial statements can be found in Exhibits G through I of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found immediately following the basic financial statements in this report in Exhibits J and K.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Government-Wide Financial Analysis

CITY OF BURLINGTON NET ASSETS (Refer to Exhibit A)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 30,240,999	\$ 19,036,862	\$ 88,706,961	\$ 86,827,349	\$ 118,947,960	\$ 105,864,211
Capital assets	87,809,672	82,167,386	181,237,076	173,384,069	269,046,748	255,551,455
Total Assets	118,050,671	101,204,248	269,944,037	260,211,418	387,994,708	361,415,666
Long-term liabilities outstanding	51,160,121	41,880,696	153,758,346	148,746,703	204,918,467	190,627,399
Other liabilities	11,093,303	9,771,672	8,781,630	8,360,950	19,874,933	18,132,622
Total Liabilities	62,253,424	51,652,368	162,539,976	157,107,653	224,793,400	208,760,021
Net Assets						
Investment in capital assets, net of related debt	52,306,526	46,980,521	63,674,325	65,840,434	115,980,851	112,820,955
Restricted	8,040,635	4,880,488	17,791,505	15,895,617	25,832,140	20,776,105
Unrestricted	(4,549,914)	(2,309,129)	25,938,231	21,367,714	21,388,317	19,058,585
Total Net Assets	\$ 55,797,247	\$ 49,551,880	\$ 107,404,061	\$ 103,103,765	\$ 163,201,308	\$ 152,655,645

As noted earlier, net assets may serve over time to be a useful indicator of a government's financial position. In the case of the City of Burlington, assets exceeded liabilities by \$163,201,308 at the close of fiscal year 2005. This is an increase of \$10,545,663 over 2004.



The largest portion of the City's net assets (71% or \$115,980,851) reflects its investments in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. This is an increase of \$3,159,896 over the previous fiscal year. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (16% or \$25,832,140) represents resources that are subject to external restriction as to how they may be used. This is an increase of \$5,056,035 from FY 2004. The remaining balance of unrestricted net assets (13% or \$21,388,317) is to be used to meet the government's ongoing obligations to citizens and creditors. Included in unrestricted net assets are amounts that management has designated for particular purposes, such as capital reserve funds, reserves for encumbrances, and reserves for expenditures in subsequent fiscal years. The unrestricted net assets increased by \$2,329,732 this year, with an increase in the business-type activities and a decrease in the governmental activities.

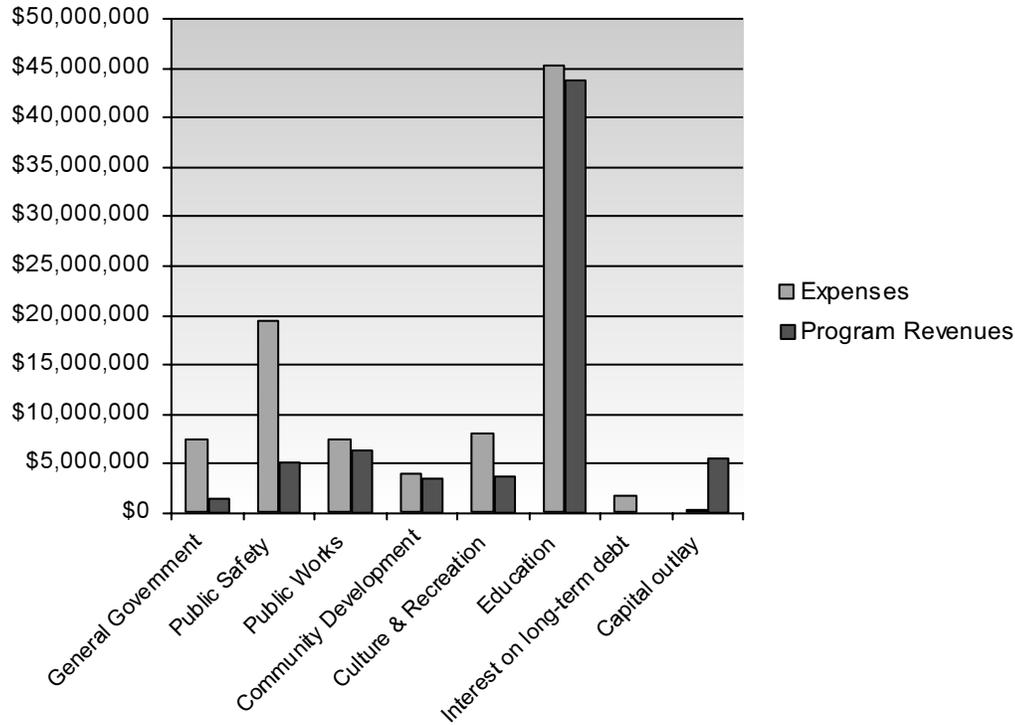
At the end of fiscal year 2005, the City is able to report positive balances in two of the three categories of net assets for the governmental activities, and for all of its separate business-type activities. The governmental activities area reports a positive balance of \$52,306,526 of investments in capital assets, net of related debt and a positive balance \$8,040,635 in net assets that are subject to external restriction. However, there is a negative balance of (\$4,549,914) in the governmental activities unrestricted net assets section. This is primarily due to the change in reporting of liabilities formerly reported in the general long-term debt account group such as insurance reserves, compensated absences, landfill post-closure costs, early retirement costs in the City's School Department and the net pension obligation. In the governmental activities section, investments in capital assets increased by \$5,326,005 from \$46,980,521, restricted net assets increased by \$3,160,187 from \$4,880,448 and unrestricted net assets decreased by \$2,240,785 from (\$2,309,129) from the ending balance of FY 2004.

The negative unrestricted net assets from Governmental Activities includes, \$1,005,627 for the School Funds, \$9,694 for the Church Street Marketplace Fund, \$84,363 for the new DPW facility, \$539,715 for the Heating Upgrades and Moran Building and \$2,910,515 for the General Fund. The total unrestricted net assets deficit increased by \$2,240,785 due to the underfunding of the pension contribution.

Governmental Activities. Governmental activities increased the City's net assets by \$6,245,367 or 12.6% during the current fiscal year to \$55,797,247 over the ending amount of \$49,551,880 in FY 2004. The major factor contributing to this increase was the addition of capital assets through receipt of capital grants and contributions during the fiscal year. Please refer to Exhibits D and E for a list of other changes in net assets of governmental activities.



**Expense & Program Revenues
– Governmental Activities**



The above graph illustrates the expenses associated with the various functions of governmental activities and the revenues that are directly associated with or generated by these functions. The expenses of these functions are also funded with general revenues, such as property taxes, gross receipts taxes, payments in lieu of taxes and franchise fees that are collected centrally. These general revenues are not program revenues and are not included in the above graph.



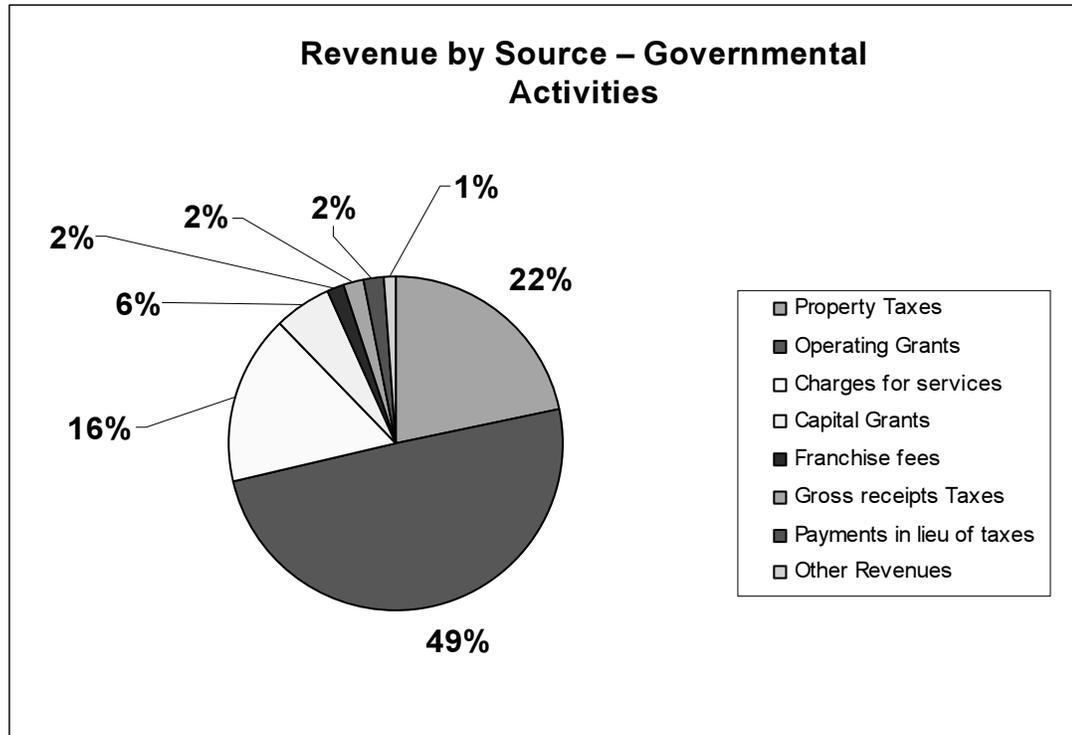
The chart below is a one page presentation of Exhibit B that illustrates the components of the revenue sources and expenditure areas of the government wide Statement of Activities.

CITY OF BURLINGTON, VERMONT CHANGE IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for Services	\$ 15,776,228	\$ 16,464,540	\$ 66,090,530	\$ 61,676,204	\$ 81,866,758	\$ 78,140,744
Operating Grants and Contributions	47,629,906	39,436,570	64,966	126,789	47,694,872	39,563,359
Capital Grants and Contributions	5,482,836	7,072,097	6,205,030	2,403,600	11,687,866	9,475,697
General revenues						
Property Taxes	20,953,069	22,888,063	-	-	20,953,069	22,888,063
Rooms and Meals Taxes	1,831,635	1,874,300	-	-	1,831,635	1,874,300
Payments in Lieu of Taxes	1,905,338	1,459,189	-	-	1,905,338	1,459,189
Street Franchise Fees	1,555,617	1,692,757	-	-	1,555,617	1,692,757
Development Impact Fees	595,706	83,199	-	-	595,706	83,199
Interest & Penalties on Delinquent Taxes	267,114	270,581	-	-	267,114	270,581
Addition to Permanent Funds	36,700	37,368	-	-	36,700	37,368
Restricted Contributions	-	-	-	-	-	-
Unrestricted Investment Earnings	127,622	36,033	920,279	505,818	1,047,901	541,851
Other Revenues	63,539	128,006	4,000	130,472	67,539	258,478
Airport Passenger Facility Charges	-	-	2,808,977	2,248,630	2,808,977	2,248,630
Gain (loss) on Sale of Capital Assets/ Associated Companies	9,000	-	-	-	9,000	-
	-	-	-	68,630	-	68,630
Total Revenues	\$ 96,234,310	\$ 91,442,703	\$ 76,093,782	\$ 67,160,143	\$ 172,328,092	\$ 158,602,846
Expenses						
Governmental Activities						
General Government	7,319,954	6,879,347	-	-	7,319,954	6,879,347
Public Safety	19,274,154	15,777,673	-	-	19,274,154	15,777,673
Public Works	7,292,137	6,435,329	-	-	7,292,137	6,435,329
Community Development	3,776,803	3,961,961	-	-	3,776,803	3,961,961
Culture and Recreation	7,950,136	6,872,724	-	-	7,950,136	6,872,724
Education	45,044,913	41,473,649	-	-	45,044,913	41,473,649
Interest on Long-Term Debt	1,581,811	1,802,800	-	-	1,581,811	1,802,800
Capital Outlay	220,578	1,190,381	-	-	220,578	1,190,381
Business Type Activities						
Electric Utility	-	-	43,978,731	39,964,164	43,978,731	39,964,164
Airport	-	-	12,824,500	11,622,861	12,824,500	11,622,861
Water	-	-	4,337,013	4,408,160	4,337,013	4,408,160
Wastewater	-	-	4,975,847	4,831,740	4,975,847	4,831,740
Telecom	-	-	1,214,849	306,743	1,214,849	306,743
School Enterprise	-	-	1,991,003	1,911,056	1,991,003	1,911,056
Total Expenses	92,460,486	84,393,864	69,321,943	63,044,724	161,782,429	147,438,588
Changes in Net Assets before Transfers	3,773,824	7,048,839	6,771,839	4,115,419	10,545,663	11,164,258
Transfers	2,471,543	2,766,995	(2,471,543)	(2,766,995)	-	-
Change in Net Assets	6,245,367	9,815,834	4,300,296	1,348,424	10,545,663	11,164,258
Net Assets - Beginning of Year	49,551,880	39,736,046	103,103,765	101,755,341	152,655,645	141,491,387
Net Assets - End of Year	\$ 55,797,247	\$ 49,551,880	\$ 107,404,061	\$ 103,103,765	\$ 163,201,308	\$ 152,655,645



The table below shows the percentages of revenue by each type of revenue of governmental activities. The largest sources are property taxes (22% of total), operating grants (49%), and charges for services (16%).

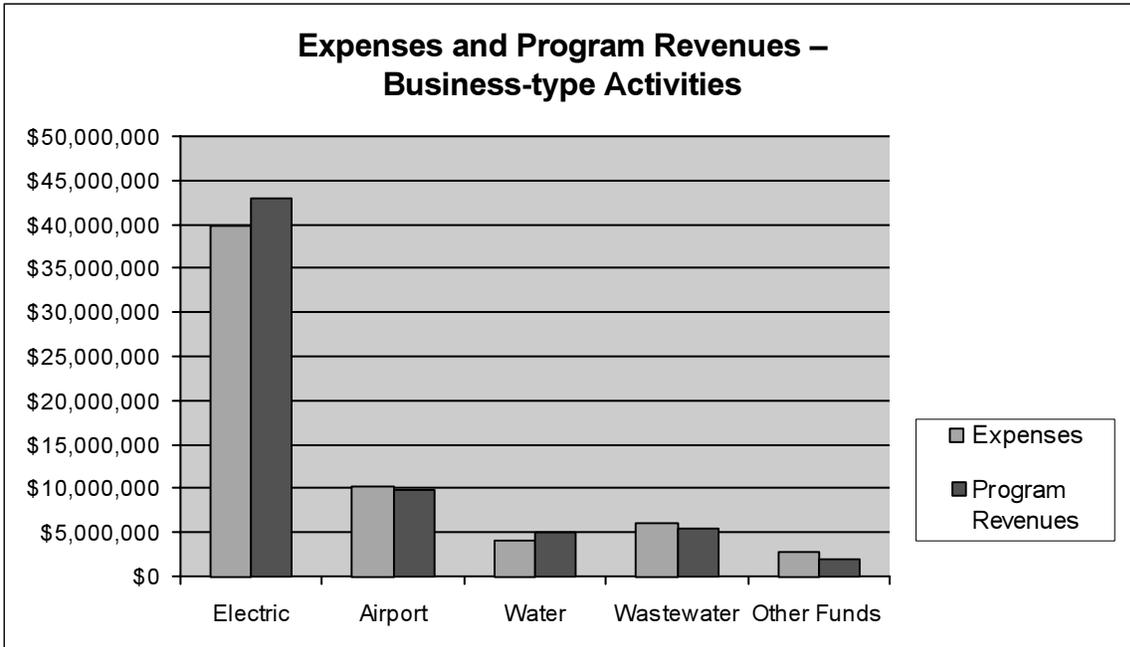


Business-type activities. Business-type activities also increased the net assets of the City this year in the amount of \$4,300,296 from \$103,103,765 to \$107,404,061. Key elements of this change are as follows:

- Operating Income for all Business-type activities amounted to \$2,304,260. This contrasts with an operating income amount of \$4,810,407 in FY 2004. The major operating revenue source is charges for services at \$61,952,769, an increase of \$3,881,376 over the prior fiscal year. Operating Expenses increased to \$63,058,799, an increase of 11% from the previous year. Some of the factors leading to these increases were the increased cost of purchased power for Burlington Electric, costs at the Airport associated with the opening of a new section of the terminal, and the operating costs of Burlington Telecom which are included for the first time this year. All of these areas experienced increases in the costs of the employee pension system.
- Included in the operating expenses is depreciation and amortization in the amount of \$10,749,216 which compares to \$9,112,003 charged in FY 2004 for all business-type activities.
- There was a positive change in net assets for the Airport, Water and Wastewater Funds. However, Burlington Electric, and the other proprietary funds (Telecom and Schools) experienced small decreases this year. The changes in net assets by fund follow below:



<u>Fund</u>	<u>Change in Net Assets</u>
Electric Utility	\$ (84,377)
Airport	4,652,258
Water Resources	284,474
Wastewater	158,336
Other Proprietary Funds	<u>(710,396)</u>
Total	\$ <u>4,300,295</u>



Program revenues for business-type activities amounted to \$65,363,059 for the year. Almost all (94.8%) of the program revenues for business-type activities come from charges for services. The remainder of the program revenues consists of operating grants and capital grants for Airport and Water projects.

Financial Analysis of the Government's Funds

As noted earlier, the City of Burlington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.



- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,034,531, an increase of \$6,782,553 or 300% over the previous fiscal year. Much of this increase is due to the issuance of certificates of participation in June, 2005 for the Lakeview Garage project. The City has designated \$1,316,741 of the fund balance for three purposes. \$606,570 has been designated for development of the Industrial Park near the Airport, \$96,343 has been designated for recycling costs, and \$613,548 has been designated in the School Fund for education purposes. The reserved portion of the governmental fund balance includes \$437,553 for inventories and prepaid expenditures and \$8,970,940 set aside for other restricted purposes such as capital and grant-funded projects. The undesignated, unreserved fund balance of all governmental funds amounts to a shortfall of (\$1,328,430). The General Fund balance component had a positive undesignated fund balance of \$303,678, an increase of 21% from the previous fiscal year. This is .72% of expenditures, which again leaves the City with limited flexibility to deal with contingencies. The undesignated balance in the school fund was (\$133,230), and that of the other governmental funds reported as a group amounted to (\$1,860,781). As stated previously in the Financial Highlights, this was due primarily to the timing of the receipt of state grants, federal grants, tax increments, and reimbursements for capital projects and development projects. Simply put, revenues for grants funds received 60 days or more after the end of the fiscal year are deferred and counted in the period they are received as required by GASB Statement #33.

The fund balance of the City's general fund was \$2,783,451, an increase of \$793,279 or 39.8% during this reporting period. Some of the key factors concerning this fund follow below:

- Several revenue categories performed well during the year. FY 2005 revenues were generally consistent with the amounts anticipated in the budget. Due to the strong local economy, there were several revenue sources that were particularly sound this year. These were permit fees collected by Planning and Zoning (about \$372,200 above anticipated), building trades permits (\$376,260 over), and rooms & meals taxes (\$178,400 above anticipated).
- However, several revenue sources failed to meet expectations. These were property taxes (short by \$226,500) which had an increase of the deferred amount due to an increase in uncollected taxes, the State Pilot payment which came in at \$61,000 less than anticipated, and reimbursements from other City funds for Health and worker's compensation costs (short by \$258,000)



- There were other one-time revenues collected which are to be used for specific purposes. One of these is impact fees of \$595,706 which will be used for allowed capital needs of the Police, Parks, Library and Fire Departments. Another was the issuance of a \$250,000 General Obligation bond in June, the proceeds of which will fund improvements to Leddy Park Arena and the Gosse Court Armory.
- Expenditures were generally within budget for the year. The only Department which deviated significantly from budget was Parks & Recreation which exceeded its budget by about \$221,000. The department presented a plan to the Board of Finance in FY 2006 to attempt to correct this problem.
- City-wide health benefits costs rose to \$5,122,569 which was an increase of \$827,000 over FY 2004 or 19.2%. Management had recognized this and even with the increase, this category remained within its budget. However, there continues to be a trend toward more expense in the General Fund due to the increase number of safety services employees and away from other City funds where personnel levels are stable.

The School's General Fund balance decreased this year to \$818,739 from \$1,442,794 in the prior year. This was due primarily to lower level of intergovernmental revenues than anticipated (\$173,100) and expenditures for education of \$518,800 over the amount authorized in the budget.

Proprietary funds. The City of Burlington's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail

Net assets for the Electric Utility fund amounted to \$43,909,696, those for the Airport fund amounted to \$44,706,546, those for the Water Resources fund amounted to \$8,070,716, those for Wastewater fund amounted to \$12,444,208, those for the School Enterprise Funds amounted to \$416,456, and those for the Telecom Fund amounted to a deficit of \$2,140,561. The Telecom deficit is due to costs associated with the startup and operation of the municipal network which are not capitalized. Costs associated with Phase III, the City-wide service for Cable television, internet, and telephone service for the citizens within Burlington which began in FY 2005 will be offset as customers come on line and purchase these services in the periods to follow. The net assets of the Electric Utility Fund decreased by \$84,377. This was primarily due to the recording of a net pension obligation that was not anticipated. However, the unrestricted assets of the Airport, Water Resources, and Wastewater Funds increased by \$4,652,258, \$284,474, and \$158,366 respectively. The Airport increase is due to construction projects and the Water and Wastewater increases are due to rate increases. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.



General Fund Budgetary Highlights

Differences between budgeted amounts and actual amounts can be briefly summarized as follows:

Several revenue categories performed well during the year. FY 2005 revenues were generally consistent with the amounts anticipated in the budget. Due to the strong local economy, there were several revenue sources that were particularly sound this year. These were permit fees collected by Planning and Zoning (about \$372,200 above anticipated), building trades permits (\$376,260 over), and rooms & meals taxes (\$178,400 above anticipated). However, several revenue sources failed to meet expectations. These were property taxes (short by \$226,500) which had an increase of the deferred amount due to an increase in uncollected taxes, the State Pilot payment which came in at \$61,000 less than anticipated, and reimbursements from other City funds for Health and worker's compensation costs (short by \$258,000). There were other one-time revenues collected which are to be used for specific purposes. One of these is impact fees of \$595,706 which will be used for allowed capital needs of the Police, Parks, Library and Fire Departments. Another was the issuance of a \$250,000 General Obligation bond in June, the proceeds of which will fund improvements to Leddy Park Arena and the Gosse Court Armory.

Expenditures:

Expenditures were generally within budget for the year. The only Department which deviated significantly from budget was Parks & Recreation which exceeded its budget by about \$221,000. The department presented a plan to the Board of Finance in FY 2006 to attempt to correct this problem. City-wide health benefits costs rose to \$5,122,569 which was an increase of \$827,000 over FY 2004 or 19.2%. Management had recognized this and even with the increase, this category remained within its budget. However, there continues to be a trend toward more expense in the General Fund due to the increase number of safety services employees and away from other City funds where personnel levels are stable.

Funds designated in FY 2004 of \$220,000 for completion of the City-wide reappraisal project were drawn down in FY 2005. The amount expended on the reappraisal in FY 2005 was \$633,887. These came from State funds allocated for maintenance of the City's Grand List and from Small Working Capital bond proceeds allocated to this project.



Fiduciary Funds.

The net assets of the Retirement Fund increased by \$5,406,671 due mainly to an increase in value of the investments in the pension portfolio to \$100,366,377. This is still down significantly from its peak year-end value of \$116,125,927 at June 30, 2000. At June 30, 2004, the actuarial value of accrued liabilities in the system exceeded the actuarial value of assets by \$17,859,542 which represents an unfunded liability in the system. The City has recorded a Net pension Obligation of \$1,596,290 this year for the first time. While the amount contributed by the City through the tax rate and utility fees has increased significantly, the actuarial requirement has increased more than the actual contribution. The City is working to find solutions to this problem. Please refer to the audit footnotes in the Financial Statement for additional information regarding this issue. The actuarial values for the period ending June 30, 2005 will be available in April, 2006.

Capital Assets and Debt Administration

Capital assets. The City of Burlington's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounted to \$115,980,851 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, water and wastewater distribution systems, electric generating and transmissions capital assets and land, land improvements and buildings at the Burlington International Airport.

In the governmental area, the total amounted to \$52,306,526, an increase of \$4,798,416 over the FY 2004 level. The capital assets of the City's business-type activities increased by \$2,166,109 to a net of \$63,674,325.

Major capital events during the current fiscal year included the following:

- The expenditure of \$749,407 of Engineering and Administrative fees relating to the Southern Connector Project. A new design has been completed with construction date to be set soon.
- Completion of the North Street project with expenditures of \$3,399,572 during fiscal year 2005. This included the lighting, paving, and the placement of underground of the utility lines on one of the major streets in the New North End of Burlington.
- The start of the Lakeview and Westlake development project downtown. Briefly, this includes expansion of the Lakeview Parking garage, the construction of a hotel and condominiums by a private developer, and the repair to the City's College Street Garage. A Certificate of participation in the amount of \$7,870,000 was issued in June, 2005 to fund this project. Total Expenditures amounted to \$1,828,684 through June 30, 2005.



- Work on other Capital Projects proceeded as follows:

<u>Project</u>	<u>Amount Expended</u>
South End Transit Center	\$ 4,029
Bike Path	13,653
Fire Vehicles	39,758
Riverside Avenue Project	19,899
Engelsby Brook Cleanup	48,740
Firehouse Center	25,613
School Capital Projects	70,802
Fuel Depot & N. Winooski	<u>13,305</u>
Total	<u>\$ 235,799</u>

- Equipment purchased via capital lease included the following items:

Police Department - Nine Police Vehicles and radio equipment at a cost of \$177,247.

Department of Public Works - Heavy Equipment for the Street Division at a cost of \$279,322.

Parks & Recreation - One automobile, three pickup trucks, two tractors, a zamboni ice resurfacers, and associated equipment at a cost of \$249,924.

Church Street Marketplace – John Deere Ride-On Tractor at a cost of \$13,110.

Code Enforcement – a photocopier (shared with DPW) at a cost of \$23,190.

Water Division – two Ford Model F-350 dump trucks and a radio meter reader device at a cost of \$240,835.

Traffic Parking Garage – replacement of the elevator at the Church Street Parking Garage at a cost of \$256,682

- General Street and sidewalk repaving and reconstruction, including curbs, catch basins and median upgrades in the amount of \$1,604,123 funded primarily with the dedicated Street property tax.



A table that shows the values of the City's capital assets for two fiscal years, prior to depreciation, is as follows:

	Governmental Activities		Busines-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land	\$ 16,414,726	\$ 16,414,726	\$ 17,089,448	\$ 13,783,051	\$ 33,504,174	\$ 30,197,777
Construction in Progress	9,622,868	5,864,402	3,519,733	5,952,342	13,142,601	11,816,744
Antiques and Works of Art	52,000	52,000	-	-	52,000	52,000
Land Improvements	1,159,887	938,643	30,312,247	29,733,813	31,472,134	30,672,456
Buildings and Building Improvements	53,872,503	53,171,168	63,756,127	53,518,066	117,628,630	106,689,234
Vehicles, Machinery, Equipment and Furniture	17,286,207	16,628,612	17,044,636	16,814,213	34,330,843	33,442,825
Book Collections	2,923,747	2,908,338	-	-	2,923,747	2,908,338
Roads, Curbs, and Sidewalks *	10,883,302	8,095,994	-	-	10,883,302	8,095,994
Distributions and Collections Systems	-	-	178,737,671	174,177,590	178,737,671	174,177,590
Total Assets	\$ 112,215,240	\$ 104,073,883	\$ 310,459,862	\$ 293,979,075	\$ 422,675,102	\$ 398,052,958

* Roads, Curbs, and Sidewalks reflect the activity of the 2002 - 2005 reporting periods only. The City will incorporate the activity from past fiscal periods in its 2006 financial statements.

Additional information on the City of Burlington's net assets can be found in note IV.E. of the notes to the financial statements.

Long-term debt. At the end of the current year, the City of Burlington had total bonds, notes, and capital leases payable of \$215,384,688. Of this, \$43,679,784 applies to governmental activities and \$171,704,904 (prior to unamortized premiums, discounts, and deferred loss on refunding) applies to business-type activities. The table below presents the components of this category for the current and past fiscal years:

	Governmental Activities		Busines-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	\$ 16,756,466	\$ 18,003,166	\$ 27,594,345	\$ 28,131,321	\$ 44,350,811	\$ 46,134,487
Revenue Bonds	-	-	130,130,000	136,835,000	130,130,000	136,835,000
Bond/Revenue Anticipation & Notes Payable	24,120,456	15,562,815	900,000	600,000	25,020,456	16,162,815
Obligations Under Capital Leases	2,802,862	2,579,327	13,080,559	2,733,615	15,883,421	5,312,942
Totals	\$ 43,679,784	\$ 36,145,308	\$ 171,704,904	\$ 168,299,936	\$ 215,384,688	\$ 204,445,244

The City's total bonds, notes, and capital leases increased by \$10,939,444 during the year. General obligation bonds outstanding had a net increase of \$1,783,676 to 44,350,811. There were several new General Obligation bonds issued including a \$750,000 small capital and working capital bond for the City, a \$250,000 small capital and working capital bond for the City, and a \$1,000,000 General Obligation Bond for Burlington Electric. The predominant use of the City funds was \$400,000 to fund improvements to the exterior of City Hall, \$250,000 to repair and upgrade both the Leddy Park Arena and the Gosse Court Armory, \$100,000 for other Parks upgrades, \$50,000 for the Zoning Ordinance Rewrite program and \$200,000 for various other projects. Moody's Investor Services provides a bond rating each time a bond issue is offered to the investing public. The City's Aa3 rating was reconfirmed in June, 2005.



There were no new revenue bonds issued during the year. However, the outstanding amount of revenue bonds decreased by \$6,705,000 to \$130,130,000. The decrease was due to repayments of principal.

The balances due for the various revenue bonds at June 30, 2005 (exclusive of unamortized discounts, premiums, and deferred losses on refunding) were as follows:

Electric Department	\$ 72,005,000
Water Resources	9,015,000
Airport	<u>49,110,000</u>
Total Revenue Bonds	<u>\$130,130,000</u>

Annually, the City issues a master lease that combines the needs of the various departments into one borrowing. This year's lease amounted to \$983,628 and funded some heavy equipment for public works, nine Police vehicles, vehicles and equipment for Parks & Recreation, trucks and meter reading devices for the Water Division, and several other items. There was also a separate lease for a new elevator at a downtown parking garage of \$256,682.

There was a significant new lease dealing with the City's telecommunication project. A new \$10,000,000 lease entered into with Koch Financial to provide financing for a City-wide network to bring cable television, telephone service, and internet access to Burlington. This is known as Phase III of the project. In addition, the City renegotiated its lease on the City's municipal network (known as Phase I) which links City Departments together. This amounts to \$2,600,000.

The City issued \$7,000,000 in tax anticipation notes during the year, all of which were paid in full by June 30, 2005. The City also issued a bond anticipation note in the amount of \$125,000 for the City's computer upgrade. It was paid back in August, 2005. There was a \$600,000 Wastewater revenue anticipation note issued and paid back during the year, as well as a \$900,000 note issued on June 30, 2005 which is due on June 30, 2006.

Additional Information on the City of Burlington's long-term debt can be found in note IV.I. of the notes to the financial statements.



Economic Factors and Next Year's Budgets and Rates

Listed below are some of the factors that were factored in formulating the budget for fiscal year 2006:

- The City, at the direction of the State of Vermont, undertook a City-wide reappraisal of all City properties in FY 2005. Its results are effective in the FY 2006 fiscal year. The municipal Grand List grew to \$3,563,571,719 from the previous level of \$1,872,160,738. There was a significant shift in value from the commercial properties to the residential and rental property groups reflecting changes in the market.
- As the result of the reappraisal, the City's tax rate decreased by about 43 cents to 63 cents per hundred dollars of value from about \$1.06.
- Wages and Benefits are a major driver of the City's overall FY 06 Budget – an increase of over \$800,000 has been included in the budget. Negotiations are scheduled with both the AFSCME and Police Unions during the year.
- Employee Benefit costs are projected to increase by 15.4%, or by nearly \$800,000 City-wide.
- The Employee Retirement plan suffered a significant loss of the market value of its assets over a three-year period. This is acting to greatly increase the amount of City contribution to keep the fund healthy. In both FY 2005 and FY 2006, the City will contribute less than the amount recommended by the outside actuary. The funding of the pension system is the greatest challenge in FY 2006 and in the foreseeable future.

2006 City Budget

The City of Burlington approved a general fund budget for fiscal year 2006 in the amount of \$46,756,420. This represents an increase of 4.7% over the previous fiscal year. Again this year, there was an increase in the dedicated tax for the employee pension fund, although not at the level recommended by the actuary. These additional taxes were necessary due to the loss in market value of pension investments due to overall economic conditions in the country. Benefit levels are also being examined with the objective of maintaining as strong a benefit as can reasonably be afforded.



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Due to reappraisal, tax rates were decreased to reflect the higher value of properties in the City. The changes in the tax rates are shown in the table below:

Tax Rate Item	FY05 Tax Rate per \$100	FY06 Approved Tax Rate	Change
Revenue Neutral Rates:			
General City	0.3888	0.2277	-0.1611
Police/Fire	0.1492	0.0789	-0.0703
Housing Trust	0.0100	0.0053	-0.0047
Open Space	0.0000	0.0053	0.0053
Streets	0.0771	0.0408	-0.0365
Fixed Rates:			
Parks	0.0250	0.0250	0.0000
Highway	0.0312	0.0312	0.0000
Library	0.0050	0.0050	0.0000
Budget Driven Rates:			
CCTA	0.0546	0.0299	-0.0247
County Tax	0.0090	0.0040	-0.0050
Retirement	0.1803	0.1086	-0.0717
Debt Service	<u>0.1264</u>	<u>0.0683</u>	<u>-0.0581</u>
Total	1.0566	0.6300	-0.4266

As stated last year, rates for the Water and Wastewater Utilities were increased in 2005 for the first time since 1994 at the rates of 5.5% and 7.6% respectively. The Electric Department rates were increased by 7.1% on January 1, 2004 to cover the increased costs of purchased power and overhead. Airport charges for landing fees, terminal rent, and parking were reviewed and increased during this fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Burlington, Vermont's financial condition. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Clerk/Treasurer, City of Burlington, City Hall, 149 Church Street, Burlington, VT 05401.



CITY OF BURLINGTON
STATEMENT OF NET ASSETS
JUNE 30, 2005

Exhibit A

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Burlington Community Development Corporation
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 8,042,957	\$ 5,746,270	\$ 13,789,227	\$ (524,121)
Investments	8,319,785	20,000	8,339,785	0
Receivables (Net of Allowance for Uncollectibles):	7,551,375	10,714,227	18,265,602	0
Notes and Loans Receivable	4,660,482	1,920,000	6,580,482	1,451,798
Accrued Interest Receivable	17,609	15,004	32,613	8,451
Estimated Unbilled Revenues	0	2,618,576	2,618,576	0
Inventories	393,275	3,399,134	3,792,409	0
Other Current Assets	625,583	200,113	825,696	0
Interfund Loans Receivable/Payable	(539,715)	539,715	0	0
Due from Component Unit	0	258,316	258,316	0
Restricted Cash and Investments	0	37,578,575	37,578,575	0
Investments in Associated Companies	0	1,437,124	1,437,124	0
Other Long-Term Assets, Net of Accumulated Amortization	282,447	24,259,907	24,542,354	0
Assets Held for Resale	887,201	0	887,201	1,179,851
Capital Assets				
Land	16,414,726	17,089,448	33,504,174	662,604
Construction in Progress	9,622,868	3,519,733	13,142,601	268,903
Antiques and Works of Art	52,000	0	52,000	0
Other Capital Assets, (Net of Accumulated Depreciation)	61,720,078	160,627,895	222,347,973	1,932,617
Total Assets	118,050,671	269,944,037	387,994,708	4,980,103
<u>LIABILITIES</u>				
Accounts Payable	4,943,673	4,596,627	9,540,300	2,225
Accrued Payroll and Benefits Payable	4,562,348	744,197	5,306,545	0
Due to Fiduciary Funds	3,951	4,531	8,482	0
Accrued Interest Payable	248,853	1,280,044	1,528,897	8,450
Deferred Revenue	1,334,478	0	1,334,478	0
Payable from Restricted Assets	0	2,156,231	2,156,231	0
Due to Primary Government	0	0	0	258,316
Noncurrent Liabilities:				
Due within One Year	7,222,882	10,501,361	17,724,243	109,043
Due in More than One Year	43,937,239	143,256,985	187,194,224	3,457,517
Total Liabilities	62,253,424	162,539,976	224,793,400	3,835,551
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	52,306,526	63,674,325	115,980,851	1,595,046
Restricted for:				
Traffic	556,663	0	556,663	0
Community Development	5,502,075	0	5,502,075	0
Perpetual Care	933,230	0	933,230	0
Debt Service/Renewal and Replacements	0	17,791,505	17,791,505	0
Other Purposes	1,048,667	0	1,048,667	0
Unrestricted/(Deficit):	(4,549,914)	25,938,231	21,388,317	(450,494)
Total Net Assets	\$ 55,797,247	\$ 107,404,061	\$ 163,201,308	\$ 1,144,552

The accompanying notes are an integral part of this financial statement.



CITY OF BURLINGTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2005

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Burlington Community Development Corporation
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government:								
Governmental Activities:								
General Government	\$ 7,319,954	\$ 1,239,594	\$ 159,319	\$ 0	\$ (5,921,041)	\$ 0	\$ (5,921,041)	\$ 0
Public Safety	19,274,154	4,117,967	886,132	0	(14,270,055)	0	(14,270,055)	0
Public Works	7,292,137	5,965,312	289,286	0	(1,037,539)	0	(1,037,539)	0
Community Development	3,776,803	225,453	3,167,724	0	(383,626)	0	(383,626)	0
Culture and Recreation	7,950,136	2,986,749	635,299	0	(4,328,088)	0	(4,328,088)	0
Education	45,044,913	1,191,192	42,492,146	0	(1,361,575)	0	(1,361,575)	0
Interest on Long-Term Debt	1,581,811	0	0	0	(1,581,811)	0	(1,581,811)	0
Capital Outlay	220,578	49,961	0	5,482,836	5,312,219	0	5,312,219	0
Total Governmental Activities	92,460,486	15,776,228	47,629,906	5,482,836	(23,571,516)	0	(23,571,516)	0
Business-Type Activities:								
Electric	43,978,731	43,639,505	0	942,810	0	603,584	603,584	0
Airport	12,824,500	9,864,237	64,966	7,319,459	0	4,424,162	4,424,162	0
Water	4,337,013	4,958,023	0	0	0	621,010	621,010	0
Wastewater	4,975,847	5,565,981	0	751,738	0	1,341,872	1,341,872	0
Telecom	1,214,849	143,746	0	0	0	(1,071,103)	(1,071,103)	0
School	1,991,003	1,919,038	0	0	0	(71,965)	(71,965)	0
Total Business-Type Activities	69,321,943	66,090,530	64,966	9,014,007	0	5,847,560	5,847,560	0
Total Primary Government	\$ 161,782,429	\$ 81,866,758	\$ 47,694,872	\$ 14,496,843	(23,571,516)	5,847,560	(17,723,956)	0
Component Unit:								
Burlington Community Development Corporation								
	\$ 292,620	\$ 168,018	\$ 85,244	\$ 71,000	0	0	0	31,642
General Revenues:								
Property Taxes					20,953,069	0	20,953,069	0
Gross Receipts Taxes					1,831,635	0	1,831,635	0
Payment in Lieu of Taxes					1,905,338	0	1,905,338	0
Franchise Fees					1,555,617	0	1,555,617	0
Impact Fees					595,706	0	595,706	0
Interest and Penalties on Delinquent Taxes					267,114	0	267,114	0
Addition to Permanent Funds					36,700	0	36,700	0
Unrestricted Investment Earnings					127,622	920,279	1,047,901	512
Other Revenues					63,539	4,000	67,539	0
Gain on Sale of Capital Assets					9,000	0	9,000	0
Transfers					2,471,543	(2,471,543)	0	0
Total General Revenues and Transfers					29,816,883	(1,547,264)	28,269,619	512
Change in Net Assets					6,245,367	4,300,296	10,545,663	32,154
Net Assets, July 1, 2004					49,551,880	103,103,765	152,655,645	1,112,398
Net Assets, June 30, 2005					\$ 55,797,247	\$ 107,404,061	\$ 163,201,308	\$ 1,144,552

The accompanying notes are an integral part of this financial statement.



CITY OF BURLINGTON
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2005

Exhibit C

	<u>General Fund</u>	<u>School Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 3,161,906	\$ 4,751,022	\$ 130,029	\$ 8,042,957
Investments	186,285	43,412	8,090,088	8,319,785
Receivables (Net of Allowance for Uncollectibles)	3,694,361	1,381,591	2,475,423	7,551,375
Notes Receivable	0	0	4,660,482	4,660,482
Accrued Interest Receivable	0	0	17,609	17,609
Due from Other Funds	0	0	36,561	36,561
Land Held for Resale	0	0	887,201	887,201
Inventories	241,348	0	151,927	393,275
Other Current Assets	<u>622,979</u>	<u>0</u>	<u>2,604</u>	<u>625,583</u>
Total Assets	<u>\$ 7,906,879</u>	<u>\$ 6,176,025</u>	<u>\$ 16,451,924</u>	<u>\$ 30,534,828</u>
<u>LIABILITIES</u>				
Liabilities:				
Accounts Payable	1,966,000	300,072	2,677,601	4,943,673
Accrued Payroll and Benefits Payable	586,150	3,928,796	47,402	4,562,348
Due to Other Funds	128	0	40,384	40,512
Interfund Loans Payable	0	0	539,715	539,715
Deferred Revenue	2,322,150	1,128,418	7,714,481	11,165,049
Insurance Reserves - Funded	<u>249,000</u>	<u>0</u>	<u>0</u>	<u>249,000</u>
Total Liabilities	<u>5,123,428</u>	<u>5,357,286</u>	<u>11,019,583</u>	<u>21,500,297</u>
Fund Balances/(Deficit):				
Reserved for				
Inventories and Prepaid Expenditures	283,159	0	154,394	437,553
Other Purposes	1,493,701	338,511	7,138,728	8,970,940
Unreserved, Reported In				
General Fund	1,006,591	0	0	1,006,591
Special Revenue Funds	0	480,228	(532,351)	(52,123)
Capital Project Funds	<u>0</u>	<u>0</u>	<u>(1,328,430)</u>	<u>(1,328,430)</u>
Total Fund Balances	<u>2,783,451</u>	<u>818,739</u>	<u>5,432,341</u>	<u>9,034,531</u>
Total Liabilities and Fund Balances	<u>\$ 7,906,879</u>	<u>\$ 6,176,025</u>	<u>\$ 16,451,924</u>	
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:				
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.				87,809,672
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.				10,113,018
Long-Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.				<u>(51,159,974)</u>
Net Assets of Governmental Activities				<u>\$ 55,797,247</u>

The accompanying notes are an integral part of this financial statement.



CITY OF BURLINGTON
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING JUNE 30, 2005

Exhibit D

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 22,455,610	\$ 0	\$ 0	\$ 22,455,610
Payments in Lieu of Taxes	2,552,753	1,822,147	0	4,374,900
Intergovernmental Revenues	2,569,154	41,705,489	8,652,276	52,926,919
Charges for Services	7,627,642	797,718	3,319,681	11,745,041
Fines and Forfeits	1,365,957	0	0	1,365,957
Licenses and Permits	4,525,322	0	626,726	5,152,048
Investment Income	0	92,007	129,577	221,584
Other Revenue	951,095	393,474	958,024	2,302,593
Total Revenues	42,047,533	44,810,835	13,686,284	100,544,652
EXPENDITURES:				
General Government	12,292,705	0	0	12,292,705
Safety Services	14,072,385	0	0	14,072,385
Public Works	1,654,893	0	4,167,047	5,821,940
Community Development	0	0	6,767,356	6,767,356
Culture & Recreation	5,628,142	0	0	5,628,142
Education	0	44,550,949	0	44,550,949
Capital Outlay	3,838,097	0	6,122,861	9,960,958
Debt Service -				
Bond and Note Principal Retirement	2,568,505	611,015	99,995	3,279,515
Lease Principal Retirement	697,344	42,560	35,882	775,786
Interest Charges	1,176,728	222,126	130,191	1,529,045
Bond Issue Costs	27,855	56,805	86,939	171,599
Total Expenditures	41,956,654	45,483,455	17,410,271	104,850,380
Excess/(Deficiency) of Revenues Over Expenditures	90,879	(672,620)	(3,723,987)	(4,305,728)
OTHER FINANCING SOURCES/(USES):				
Transfers In	90,148	0	997,811	1,087,959
Transfers Out	(1,390,484)	(10,000)	(120,148)	(1,520,632)
Refunding Bonds Issued	530,000	2,370,000	0	2,900,000
Payment to Refunding Bond Escrow Agent	(517,407)	(2,317,213)	0	(2,834,620)
Sales of Capital Assets	9,000	0	0	9,000
Proceeds of Long-Term Debt	1,971,095	0	9,433,682	11,404,777
Net Premium/(Discount) on Debt	10,498	5,778	25,521	41,797
Total Other Financing Sources	702,850	48,565	10,336,866	11,088,281
Net Change in Fund Balances	793,729	(624,055)	6,612,879	6,782,553
Fund Balances/(Deficit), July 1, 2004	1,989,722	1,442,794	(1,180,538)	2,251,978
Fund Balances, June 30, 2005	\$ 2,783,451	\$ 818,739	\$ 5,432,341	\$ 9,034,531



CITY OF BURLINGTON
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING JUNE 30, 2005

Exhibit E

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	\$ 6,782,553
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	6,017,581
In the Statement of Activities, the loss on the disposition/sale of capital assets is reported whereas in the Governmental Funds, the disposition of capital assets is not reflected and the sale proceeds of assets sold increases other financial resources. Thus, the change in net assets differs from the changes in fund balances by the gain/loss on the disposition of capital assets	(166,677)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,902,373
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, Governmental Funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount, is the net effect of these differences in the treatment of long-term debt and related items.	(7,306,036)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(1,984,427)</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 6,245,367</u>

The accompanying notes are an integral part of this financial statement.



CITY OF BURLINGTON Exhibit F
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
 GENERAL FUND AND SCHOOL GENERAL FUND
 FOR THE YEAR ENDING JUNE 30, 2005

	General Fund				School "General Fund"		
	Budget		Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
	Original	Final					
Revenues:							
Taxes and Special Assessments	\$ 22,501,170	\$ 22,503,670	\$ 22,455,610	\$ (48,060)	\$ 0	\$ 0	\$ 0
Payments in Lieu of Taxes	1,866,580	1,866,580	1,822,147	(44,433)	1,727,271	1,822,147	94,876
Permits and Licenses	3,694,090	3,704,090	4,525,322	821,232	0	0	0
Intergovernmental Revenues	1,209,620	1,459,720	2,029,142	569,422	31,329,373	31,156,273	(173,100)
Charges for Services	5,672,070	5,730,740	6,499,054	768,314	588,566	617,341	28,775
Fines and Forfeits	1,248,000	1,270,970	1,365,957	94,987	0	0	0
Investment Income	0	0	0	0	70,000	91,705	21,705
Miscellaneous Revenues	2,350,330	2,562,760	2,835,867	273,107	0	52,812	52,812
Total Revenues	38,541,860	39,098,530	41,533,099	2,434,569	33,715,210	33,740,278	25,068
Expenditures:							
Current:							
General Administration	14,022,410	13,695,590	13,323,800	371,790	0	0	0
Safety Services	12,991,550	13,688,760	14,460,278	(771,518)	0	0	0
Public Works	2,048,220	2,048,220	2,291,238	(243,018)	0	0	0
Cultural and Recreation	5,514,600	5,675,420	5,892,510	(217,090)	0	0	0
Education	0	0	0	0	33,870,210	34,389,018	(518,808)
Debt Service	2,336,000	2,336,000	2,478,726	(142,726)	0	0	0
Capital Outlay	2,868,650	2,998,360	2,756,898	241,462	0	0	0
Total Expenditures	39,781,430	40,442,350	41,203,450	(761,100)	33,870,210	34,389,018	(518,808)
Excess/(Deficiency) of Revenues							
Over Expenditures	(1,239,570)	(1,343,820)	329,649	1,673,469	(155,000)	(648,740)	(493,740)
Other Financing Sources/(Uses):							0
Proceeds of Long-Term Debt	750,000	750,000	1,125,000	375,000	0	0	0
Operating Transfers In	4,484,260	4,484,260	4,128,690	(355,570)	0	0	0
Operating Transfers Out	(4,214,690)	(4,217,190)	(4,789,610)	(572,420)	0	0	0
Total Other Financing Sources/(Uses)	1,019,570	1,017,070	464,080	(552,990)	0	0	0
Net Change in Fund Balances	\$ (220,000)	\$ (326,750)	\$ 793,729	\$ 1,120,479	\$ (155,000)	\$ (648,740)	\$ (493,740)

The accompanying notes are an integral part of this financial statement.



CITY OF BURLINGTON
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
JUNE 30, 2005

Exhibit G
Page 1 of 2

	Utility Fund	Airport Fund	Resources Fund	Wastewater Fund	Proprietary Funds	Total
<u>ASSETS</u>						
Current Assets:						
Cash	\$ 1,888,355	\$ 5,244,982	\$ 349,911	\$ (240,175)	\$ (1,496,803)	\$ 5,746,270
Investments	0	20,000	0	0	0	20,000
Restricted Cash and Investments	1,899,976	37,500	218,755	0	0	2,156,231
Receivables (Net of Allowance for Uncollectible Accounts)	3,586,668	5,597,310	396,294	928,954	205,001	10,714,227
Notes Receivable - Current	60,000	0	0	0	0	60,000
Interfund Receivables	71,661	0	0	0	0	71,661
Accrued Interest Receivable	0	12,409	2,595	0	0	15,004
Estimated Unbilled Revenues	1,502,315	290,990	414,387	410,884	0	2,618,576
Inventories	2,927,949	203,078	155,634	109,709	2,764	3,399,134
Other Current Assets	191,791	0	1,781	241	6,300	200,113
Total Current Assets	12,128,715	11,406,269	1,539,357	1,209,613	(1,282,738)	25,001,216
Noncurrent Assets:						
Restricted Cash and Investments	20,602,887	5,620,392	1,112,638	0	8,086,427	35,422,344
Due From Burlington Community Development Corporation	0	258,316	0	0	0	258,316
Notes Receivable - Long Term	1,860,000	0	0	0	0	1,860,000
Advances to Other Funds	513,489	0	0	0	0	513,489
Investment in Associated Company	1,437,124	0	0	0	0	1,437,124
Other Long Term-Assets, Net of Accumulated Amortization	22,310,822	1,674,830	137,558	0	136,697	24,259,907
Capital Assets						
Land	653,074	15,379,372	51,250	847,952	157,800	17,089,448
Construction in Progress	338,767	873,188	0	1,509,480	798,298	3,519,733
Land Improvements	0	30,312,247	0	0	0	30,312,247
Buildings and Building Improvements	0	62,491,227	0	0	1,264,900	63,756,127
Vehicles, Machinery and Equipment	0	3,939,209	1,116,883	11,584,509	404,035	17,044,636
Production, General and Other Plant	56,284,444	0	0	0	0	56,284,444
Transmission and Distribution Plant	44,223,563	0	33,359,144	42,745,698	2,124,822	122,453,227
Less Accumulated Depreciation	(54,720,399)	(35,748,838)	(19,600,799)	(18,540,598)	(612,152)	(129,222,786)
Total Noncurrent Assets	93,503,771	84,799,943	16,176,674	38,147,041	12,360,827	244,988,256
Total Assets	105,632,486	96,206,212	17,716,031	39,356,654	11,078,089	269,989,472



CITY OF BURLINGTON
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
JUNE 30, 2005

Exhibit G
Page 2 of 2

	Electric Utility Fund	Airport Fund	Water Resources Fund	Wastewater Fund	Other Proprietary Funds	Total
LIABILITIES						
Current Liabilities:						
Accounts and Contracts Payable	\$ 3,125,943	\$ 443,497	\$ 122,159	\$ 745,001	\$ 160,027	\$ 4,596,627
Accrued Payroll and Benefits Payable	686,566	14,320	22,349	10,330	10,632	744,197
Accrued Interest Payable	0	1,200,056	31	6,460	73,497	1,280,044
Due to Other Funds	0	0	3,666	865	0	4,531
Payable from Restricted Assets -						
Accrued Interest Payable	1,899,976	0	218,755	0	0	2,118,731
Accounts and Contracts Payable	0	37,500	0	0	0	37,500
Interfund Payables	0	0	0	0	24,720	24,720
General Obligation Bonds						
Payable - Current Portion	239,533	247,379	7,762	1,348,491	0	1,843,165
Revenue Notes and Bonds Payable -						
Current Portion	5,220,000	1,195,000	955,000	900,000	0	8,270,000
Capital Leases Payable - Current Portion	18,301	0	75,751	22,806	271,338	388,196
Total Current Liabilities	11,190,319	3,137,752	1,405,473	3,033,953	540,214	19,307,711
Noncurrent Liabilities:						
General Obligation Bonds Payable	1,919,257	0	0	23,787,321	0	25,706,578
Revenue Bonds Payable	47,490,236	48,188,368	7,769,853	0	0	103,448,457
Capital Leases Payable	58,464	0	285,775	17,351	12,239,423	12,601,013
Advances from Other Funds	0	0	0	0	20,715	20,715
Accrued Compensated Absences Payable	743,464	137,260	154,091	57,334	1,842	1,093,991
Other Noncurrent Liabilities	66,694	0	0	0	0	66,694
Net Pension Obligation	239,553	36,286	30,123	16,487	0	322,449
Deferred Credit	17,803	0	0	0	0	17,803
Total Noncurrent Liabilities	50,535,471	48,361,914	8,239,842	23,878,493	12,261,980	143,277,700
Total Liabilities	61,725,790	51,499,666	9,645,315	26,912,446	12,802,194	162,585,411
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	11,359,554	33,916,003	5,969,895	12,357,019	71,854	63,674,325
Restricted - Debt Service/Renewal and Replacements	15,774,201	902,304	1,115,000	0	0	17,791,505
Unrestricted	16,772,941	9,888,239	985,821	87,189	(1,795,959)	25,938,231
Total Net Assets	43,906,696	44,706,546	8,070,716	12,444,208	(1,724,105)	107,404,061
Total Liabilities and Net Assets	\$ 105,632,486	\$ 96,206,212	\$ 17,716,031	\$ 39,356,654	\$ 11,078,089	\$ 269,989,472

The accompanying notes are an integral part of this financial statement.



CITY OF BURLINGTON
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

Exhibit H

	Electric Utility Fund	Airport Fund	Water Resources Fund	Wastewater Fund	Other Proprietary Funds	Total
OPERATING REVENUES:						
Charges for Services	\$ 39,708,596	\$ 9,789,836	\$ 4,864,337	\$ 5,565,981	\$ 2,024,019	\$ 61,952,769
Miscellaneous	3,298,729	17,225	93,686	0	650	3,410,290
Total Operating Revenues	43,007,325	9,807,061	4,958,023	5,565,981	2,024,669	65,363,059
OPERATING EXPENSES:						
Operating, Maintenance, and General and Administrative Expenses	33,400,152	6,605,334	3,162,860	3,430,609	2,443,985	49,042,940
Depreciation and Amortization	4,723,400	3,629,477	667,227	1,431,404	297,708	10,749,216
Payments in Lieu of Taxes	1,717,003	0	355,678	1,193,962	0	3,266,643
Total Operating Expenses	39,840,555	10,234,811	4,185,765	6,055,975	2,741,693	63,058,799
Operating Income /(Loss)	3,166,770	(427,750)	772,258	(489,994)	(717,024)	2,304,260
NONOPERATING REVENUES (EXPENSES):						
Other Income/(Expense) - Net	483,184	57,176	0	0	19,919	560,279
Dividends from Associated Companies	148,996	0	0	0	0	148,996
Grant Income	0	64,966	0	0	0	64,966
Passenger Facility Charges	0	2,808,977	0	0	0	2,808,977
Investment Income	666,627	224,096	19,130	10,426	18,195	938,474
Interest Expense	(3,863,424)	(2,423,026)	(486,960)	(108,925)	(461,993)	(7,344,328)
Amortization of Bond Issue Costs	(1,596,477)	(98,990)	(19,954)	(4,909)	(2,166)	(1,722,496)
Gain/(Loss) on Sale of Capital Assets	(32,863)	4,000	0	0	0	(28,863)
Grant Expense	0	(67,673)	0	0	0	(67,673)
Total Nonoperating Revenues (Expenses)	(4,193,957)	569,526	(487,784)	(103,408)	(426,045)	(4,641,668)
Income (Loss) Before Contributions and Transfers	(1,027,187)	141,776	284,474	(593,402)	(1,143,069)	(2,337,408)
Capital Contributions	942,810	4,510,482	0	751,738	0	6,205,030
Transfers In	0	0	0	0	432,673	432,673
Change in Net Assets	(84,377)	4,652,258	284,474	158,336	(710,396)	4,300,295
Total Net Assets, July 1, 2004	43,991,073	40,054,288	7,786,242	12,285,872	(1,013,709)	103,103,766
Total Net Assets, June 30, 2005	\$ 43,906,696	\$ 44,706,546	\$ 8,070,716	\$ 12,444,208	\$ (1,724,105)	\$ 107,404,061



CITY OF BURLINGTON
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Electric Utility Fund	Airport Fund	Water Resources Fund	Wastewater Fund	Other Proprietary Funds	Total
Cash Flows From Operating Activities:						
Receipts from Customers and Users	\$ 39,716,540	\$ 9,640,892	\$ 4,754,211	\$ 5,516,679	\$ 1,859,635	\$ 61,487,957
Receipts for Interfund Services	0	0	180,671	0	0	180,671
Other Receipts	3,617,087	0	0	0	650	3,617,737
Payments to Suppliers	(31,422,116)	(3,854,564)	(1,119,015)	(1,745,386)	(1,483,787)	(39,624,868)
Payment in Lieu of Taxes	(1,717,003)	0	(355,678)	(1,193,962)	0	(3,266,643)
Payments for Wages and Benefits	(2,146,871)	(1,879,194)	(1,504,436)	(901,937)	(844,953)	(7,277,391)
Payments for Interfund Services	0	(896,431)	(509,577)	(720,948)	(27,937)	(2,154,893)
Net Cash Provided by Operating Activities	8,047,637	3,010,703	1,446,176	954,446	(496,392)	12,962,570
Cash Flows From Noncapital Financing Activities:						
Operating Grant Income	0	64,966	0	0	0	64,966
Operating Grant Expenses	0	(67,673)	0	0	0	(67,673)
Other Income/Deductions, Net	0	57,176	0	0	(3,468)	53,708
Net Increase in Revenue Anticipation Note	0	0	0	300,000	0	300,000
Increase in Due From BCDC	0	(258,316)	0	0	0	(258,316)
Receipt of Interfund Transfer	0	0	0	0	432,673	432,673
Interest Paid on Miscellaneous Items	0	0	0	(13,658)	(39,432)	(53,090)
Net Cash Provided/(Used) by Noncapital Financing Activities	0	(203,847)	0	286,342	389,773	472,268
Cash Flows From Capital and Related Financing Activities:						
Proceeds from Bonds, Notes & Leases Payable	1,030,000	0	240,989	235,905	10,233,615	11,740,509
Proceeds from Sale of Capital Assets	24,320	4,000	0	0	0	28,320
Acquisition and Construction of Capital Assets	(3,833,424)	(9,324,603)	(317,446)	(818,444)	(2,436,182)	(16,730,099)
Capital Grants/Contributions	465,618	2,784,502	0	301,605	0	3,551,725
Passenger Facility Charges	0	2,802,747	0	0	0	2,802,747
Proceeds from Insurance Settlement	112,250	0	0	0	0	112,250
Increase in Deferred Charges	0	0	0	0	(61,565)	(61,565)
Increase in Franchise Costs	0	0	0	0	(75,132)	(75,132)
Net Cost Associated with Bond and Lease Refinancing	(41,292)	0	0	0	(49,116)	(90,408)
Principal Paid on:						
General Obligation Bonds	(367,300)	(250,000)	(11,000)	(1,174,581)	0	(1,802,881)
Revenue Bonds	(4,655,000)	(1,140,000)	(910,000)	0	0	(6,705,000)
Capital Lease Obligations	(8,604)	0	(46,290)	(20,778)	(127,911)	(203,583)
Interest Paid on:						
General Obligation Bonds	(58,733)	(11,250)	(592)	(75,620)	0	(146,195)
Revenue Bonds	(3,795,466)	(2,427,055)	(457,985)	0	0	(6,680,506)
Capital Lease Obligations	0	0	(6,207)	(3,787)	(345,964)	(355,958)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(11,127,631)	(7,561,659)	(1,508,531)	(1,555,700)	7,137,745	(14,615,776)
Cash Flows From Investing Activities:						
Net (Additions)/Reductions to Restricted Cash and Investments	2,147,853	3,863,746	(22,163)	0	(8,086,427)	(2,096,991)
Increase in Investment in Associated Companies	(1,031,940)	0	0	0	0	(1,031,940)
Other Income/Deductions, Net	483,184	0	0	0	0	483,184
Receipt of Interest & Dividends	658,850	190,564	17,123	7,891	18,195	892,623
Net Cash Provided/(Used) by Investing Activities	2,257,947	4,054,310	(5,040)	7,891	(8,068,232)	(1,753,124)
Net Increase/(Decrease) in Cash	(822,047)	(700,493)	(67,395)	(307,021)	(1,037,106)	(2,934,062)
Cash - July 1, 2004	2,710,402	5,945,475	417,306	66,846	(459,697)	8,680,332
Cash - June 30, 2005	\$ 1,888,355	\$ 5,244,982	\$ 349,911	\$ (240,175)	\$ (1,496,803)	\$ 5,746,270

The accompanying notes are an integral part of this financial statement.



CITY OF BURLINGTON
 STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

Exhibit I
 Page 2 of 2

	Electric Utility Fund	Airport Fund	Water Resources Fund	Wastewater Fund	Other Proprietary Funds	Total
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:						
Operating Income/(Loss)	\$ 3,166,770	\$ (427,750)	\$ 772,258	\$ (489,994)	\$ (717,024)	\$ 2,304,260
Depreciation and Amortization	4,913,163	3,629,477	667,227	1,431,404	297,708	10,938,979
Loss on Disposal of Capital Assets	32,863	0	0	0	0	32,863
(Increase)/Decrease in Other Receivables	(113,074)	(134,169)	25,477	(12,368)	(164,384)	(398,518)
(Increase)/Decrease in Unbilled Revenues	(63,632)	(51,383)	(63,297)	(36,934)	0	(215,246)
(Increase)/Decrease in Inventory	(80,455)	(67,446)	(35,291)	1,850	7,363	(173,979)
Increase/(Decrease) in Accounts Payable	244,291	35,632	48,161	51,188	77,771	457,043
Increase in Net Pension Obligation	239,553	36,286	30,123	16,487	0	322,449
Increase/(Decrease) in Accrued Payroll And Benefits	0	(25,599)	(10,728)	(8,450)	0	(44,777)
Increase/(Decrease) in Other Operating Assets/Liabilities	(291,842)	15,655	12,246	1,263	2,174	(260,504)
Net Cash Provided/(Used) by Operating Activities	\$ <u>8,047,637</u>	\$ <u>3,010,703</u>	\$ <u>1,446,176</u>	\$ <u>954,446</u>	\$ <u>(496,392)</u>	\$ <u>12,962,570</u>

Non-Cash Financing Activities:

The Electric Utility Department Entered into a Capital Lease for Equipment in the Amount of \$75,924.

The Electric Utility Department Recorded Capital Assets in the Amount of \$477,192 Related to Utility Poles that were Donated to Them.

The Airport Department Sold/Disposed of Fully Depreciated Machinery and Equipment with a Cost of \$23,961 for \$4,000.

The Airport Department Recorded Capital Assets in the Amount of \$285,000 Related to a Building that was Donated to Them.

The Water Resources Department Disposed of Fully Depreciated Vehicles and Equipment with a Cost of \$160,345.



CITY OF BURLINGTON
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
JUNE 30, 2005

Exhibit J

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Fund - Student Activities</u>
<u>ASSETS</u>			
Cash	\$ 224,877	\$ 34,876	\$ 260,560
Investments	100,366,377	168,039	0
Accrued Interest Receivable	312,524	59	0
Due from Other Funds	<u>8,482</u>	<u>0</u>	<u>0</u>
Total Assets	<u>100,912,260</u>	<u>202,974</u>	<u>260,560</u>
<u>LIABILITIES</u>			
Accounts Payable	95,839	0	0
Accrued Liabilities	301,666	0	0
Compensated Absences	9,347	0	0
Due to Student Organizations	<u>0</u>	<u>0</u>	<u>260,560</u>
Total Liabilities	<u>406,852</u>	<u>0</u>	<u>260,560</u>
<u>NET ASSETS</u>			
Held in Trust For:			
Employees' Pension Benefits	100,505,408	0	0
Individuals and Organizations	<u>0</u>	<u>202,974</u>	<u>0</u>
Total Net Assets	<u>\$ 100,505,408</u>	<u>\$ 202,974</u>	<u>\$ 0</u>

accompanying notes are an integral part of this financial statement.



CITY OF BURLINGTON
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

Exhibit K

	Pension Trust Fund	Private Purpose Trust Funds
	<u> </u>	<u> </u>
<u>ADDITIONS:</u>		
Contributions:		
Employer - Pension	\$ 3,290,731	\$ 0
Employer - FICA	2,198,823	0
Plan Members	709,570	0
	<u>6,199,124</u>	<u>0</u>
Total Contributions		
	<u>6,199,124</u>	<u>0</u>
Investment Earnings:		
Interest and Dividends	8,888,604	2,339
Net Decrease in the Fair Value of Investments	(1,298,022)	0
	<u>7,590,582</u>	<u>2,339</u>
Total Investment Earnings		
	<u>7,590,582</u>	<u>2,339</u>
Less Investment Expense		
	<u>(659,895)</u>	<u>0</u>
Net Investment Earnings		
	<u>6,930,687</u>	<u>2,339</u>
Total Additions		
	<u>13,129,811</u>	<u>2,339</u>
<u>DEDUCTIONS:</u>		
Benefits - Pension	5,236,870	0
Benefits - FICA	2,198,823	0
Benefits - Post Employment Health	60,459	0
Refunds of Contributions	18,453	0
Administrative Expenses	164,709	0
Other	43,826	2,680
	<u>7,723,140</u>	<u>2,680</u>
Total Deductions		
	<u>7,723,140</u>	<u>2,680</u>
Change In Net Assets		
	5,406,671	(341)
Net Assets - July 1, 2004		
	<u>95,098,737</u>	<u>203,315</u>
Net Assets- June 30, 2005		
	<u>\$ 100,505,408</u>	<u>\$ 202,974</u>

The accompanying notes are an integral part of this financial statement.



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Incorporated in 1865, the City of Burlington operates under a tripartite system of government with the Mayor serving as Chief Executive, the City Council as the legislative body and the Commissioners as the primary policy makers within their respective departments. The City Charter authorizes the provision for the following services for the residents of the City: general administration, public safety, public works, human services, utilities and education.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the City of Burlington (the “City”) conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

This report includes all of the funds of the City of Burlington, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization’s governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The Burlington Community Development Corporation is the only entity that meets this definition and, as a discretely presented component unit, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. Excluded are organizations such as the Chittenden County Transportation Authority, Burlington Housing Authority, Chittenden County Government, the Winooski Valley Park District, the Burlington City Arts Foundation, Burlington Schools Foundation, and the Chittenden Solid Waste District, since after considering all factors related to oversight responsibility, the City has concluded they are not part of the reporting entity.



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

The Burlington Community Development Corporation's primary purpose is to carry out the industrial and economic development of the City of Burlington, including specifically the development of businesses located, or to be located, on lands owned by the City of Burlington at the Burlington International Airport. As such, the purposes of the Corporation shall include fostering, encouraging and assisting the physical location of business enterprises in the Greater Burlington area and otherwise fulfilling the purposes of a "local development corporation". The Board of Directors of the Burlington Community Development Corporation must be members of the City of Burlington's Board of Finance.

B. Basis of Presentation

The accounts of the City are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the City include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the City as a whole and present a longer-term view of the City's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the City and present a shorter-term view of how operations were financed and what remains available for future spending.

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government, the City, and its component unit, the Burlington Community Development Corporation. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each segment of the City's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating revenues consists of sales of electricity, rents of electric property, fees to transmit electricity of others, rent of airport terminal space and buildings, concessions, commissions, parking garage receipts, sales of water, wastewater user charges, telephone, cable and internet access, hot lunch sales and other miscellaneous fees for service. Nonoperating revenues result from certain nonexchange transactions or ancillary activities. Non-operating revenues consist of investment earnings, passenger facility charges, grant income, building rents from buildings purchased for future expansion and rockledge income.

Operating expenses are defined as the ordinary costs and expenses for the operation, maintenance and repairs of the electric plant, airport, water facility, wastewater facility, telecommunications equipment and lines, and hot lunch programs. Operating expenses include the cost of production, purchased power, maintenance of transmission and distribution systems, administrative, and general expenses and depreciation and amortization. Operating expenses do not include the principal and interest on bonds, notes or other evidences or indebtedness and related costs.

The City reports on the following major governmental funds:

General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

School Fund – This Fund accounts for all of the governmental activity of the Burlington School Department.

The City reports on the following major proprietary funds:

Electric Utility Fund – This fund accounts for the operations of the Burlington Electric Department.

Airport Fund – This fund accounts for the operations of the Burlington International Airport.



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Water Resources Fund – This fund accounts for the operations of the Department of Public Works - Water Division.

Wastewater Fund – This fund accounts for the operations of the Department of Public Works-Wastewater Division.

Additionally, the City reports the following fund types:

Private-Purpose Trust Funds - These funds are used to report trust arrangements under which resources are to be used for the benefit of firemen injured in the line of duty, Christmas gifts for servicemen overseas, Christmas dinners for the destitute and student educational expenses and scholarships. All investment earnings, and in some cases, the principal of these funds may be used to support these activities.

Pension Trust Fund – This fund accounts for monies contributed by the City and its employees and the income on investments expended for the pensions of retired City employees. This fund is supported by a dedicated tax rate from the General Fund and charges to non General Fund Funds based on payroll. This Fund also pays for the FICA costs for the City's employer's share of FICA.

Agency Fund – This fund accounts for monies maintained for various student groups at the Burlington High School.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net assets). Fund equity (i.e., net total assets) is segregated into investment in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available spendable resources, and are segregated into reserved and unreserved fund balances. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spending resources during a period.



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues reported in governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences, self-insured health and dental benefits, reserves for property and casualty and workers' compensation claims, landfill post-closure costs, net pension obligation, and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

Recognition of revenues on funds received in connection with loan programs are recognized when loans are awarded and expenses incurred in excess of current grants and program income. An offsetting deferred revenue is recognized for all loans receivable. Loan repayment revenue is recognized as the loans are repaid.



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

The government-wide and proprietary fund financial statements follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board (APB) Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. As permitted under Statement of Governmental Accounting Standards No. 20, the City has elected not to apply FASB Standards issued after November 30, 1989.

The Electric Department is also subject as to rates, accounting and other matters, to the regulatory authority of the State of Vermont Public Service Board and the Federal Energy Regulatory Commission. In accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulations", the Electric Department records certain assets and liabilities in accordance with the economic effects of the rate making process.

Statement of Financial Accounting Standards No. 107 "Disclosure about the Fair Value of Financial Instruments," requires disclosures of the fair value of certain financial instruments. Recorded amounts for cash, accounts receivable, accounts payable, and investments approximate fair value.

E. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Assets, Liabilities and Equity

1. Cash

Cash balances of most City funds are pooled and invested by the City Treasurer. Excess cash withdrawals of individual funds are shown as negative cash balances. The City considers all short-term investments of ninety (90) days or less to be cash equivalents.

The City engages in repurchase agreement transactions as part of its cash management programs. Under the terms of a typical repurchase agreement, the City takes possession of an underlying debt obligation, subject to an obligation of the seller to repurchase, and the City to resell the obligation at an agreed-upon price and time, thereby determining the yield during the City's holding period. The value of the collateral is at least equal at all times to the total amount of the repurchase obligations, including interest. In the event of counter-party default, the City has the right to use the collateral to offset losses incurred. There is potential loss to the City in the event the City is delayed or prevented from exercising its rights to dispose of the collateral securities, including the risk of a possible decline in the value of the underlying securities during the period the City seeks to assert its rights.



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

2. Investments

The City invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

3. Receivables

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (for the current portion of the interfund loans) or “advances to/from other funds” (for the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The City is responsible for assessing and collecting its own property taxes, as well as state property taxes for the School. Property taxes are assessed based on property valuations as of April 1 annually. Taxes are collected four (4) times per year. During the tax year ended June 30, 2005, taxes became due and payable on August 12, 2004, November 12, 2004, March 12, 2005 and June 12, 2005. Taxes unpaid after each due date are considered to be late and are subject to 1% interest added on the next day, an additional 4% interest added after the tenth (10th) day late and an additional 1% per month thereafter. Taxes unpaid ten (10) days after the June due date are delinquent and are subject to an 8% penalty and interest calculated at twelve percent (12%). Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale.



CITY OF BURLINGTON
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

The amount of taxes the City may levy is subject to charter limitations. These limits and the rates assessed for 2004-2005 are as follows:

<u>Category</u>	<u>Charter Limits</u>	<u>Rate per \$100 of Assessed Value Residential</u>	<u>Rate per \$100 of Assessed Value Non-Residential</u>
General City	\$0.3888	\$.3888	\$.3888
Highways (charter-prescribed minimum)	0.0242	.0312	.0312
Police/Fire	0.1492	.1492	.1492
Parks (charter-prescribed minimum)	0.0100	.0250	.0250
County Tax	Actual	.0090	.0090
General Long-Term Debt Retirement & Interest	Actual	.1264	.1264
Retirement Contribution	Actual	.1803	.1803
Chittenden County Transportation Authority	Actual	.0546	.0546
Streets-Special	0.0771	.0771	.0771
Housing Trust Fund	0.0100	.0100	.0100
Library Tax	0.0050	<u>.0050</u>	<u>.0050</u>
City Total		1.0566	1.0566
Schools	Actual	<u>1.6596</u>	<u>2.2784</u>
Total Tax Rate		<u>\$2.7162</u>	<u>\$ 3.335</u>



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Those limits specified may be exceeded only if authorized by the voters, except for Parks and Highways which have no maximum charter limit. Property taxes levied were calculated as follows:

Tax Category**School Department Taxes: (Residential)**

Appraised Valuation	
Real Estate	\$ 775,086,002
Less: Tax Increment Exemption	(2,777,900)
Less: Veteran's Exemption	<u>(1,226,000)</u>
Total Appraised Valuation	\$ <u><u>771,082,102</u></u>
Property Tax Revenue	
Basis (1% of Valuation)	\$ 7,710,821
Tax Rate	<u>1.6596</u>
Property Taxes Assessed	12,796,879
Plus: Grand List Adjustents and Reconciling Items	<u>68,982</u>
Total School Taxes Assessed (Residential)	\$ <u><u>12,865,861</u></u>

School Department Taxes: (Non-Residential)

Appraised Valuation	
Real Estate	\$ 857,863,176
Less: Increment Exemption	(25,667,940)
Personal Property	<u>2,156,300</u>
Total Appraised Valuation	\$ <u><u>834,351,536</u></u>
Property Tax Revenue	
Basis (1% of Valuation)	\$ 8,343,515
Tax Rate	<u>2.2784</u>
Property Taxes Assessed	19,009,865
Plus: Grand List Adjustents and Reconciling Items	<u>394,227</u>
Total School Taxes Assessed (Non-Residential)	<u><u>19,404,092</u></u>
Total School Taxes	\$ <u><u>32,269,953</u></u>



CITY OF BURLINGTON
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

City Taxes:

Appraised Valuation	
Real Estate	\$ 1,788,033,728
Plus: 120% Classification	85,090,781
Less: Veteran's Exemption	<u>(1,226,000)</u>
Total Appraised Valuation	\$ <u>1,871,898,509</u>
Real Property Tax Revenue	
Basis (1% of Valuation)	\$ 18,718,985
Tax Rate	<u>1.0566</u>
Real Property Taxes Assessed	19,778,480
Less: Grand List Adjustments and Reconciling Items	<u>(731,982)</u>
Total City Real Taxes Assessed	\$ <u>19,046,498</u>
Personal Property Appraised Valuation	
Personal Property	\$ 126,731,667
Plus: 120% Classification	<u>25,346,333</u>
Total Appraised Valuation	\$ <u>152,078,000</u>
Personal Property Tax Revenue	
Basis (1% of Valuation)	\$ 1,520,780
Tax Rate	1.0566
Personal Property Taxes Assessed	1,606,856
Plus: Grand List Adjustments and Reconciling Items	<u>(1,030)</u>
Total City Personal Property Taxes Assessed	\$ <u>1,605,826</u>



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Summary:

Total Property Taxes Assessed		
School	\$	32,269,953
City Real		19,046,498
City Personal		<u>1,605,826</u>
Total Property Taxes Assessed		52,922,277
Less: Current Year Collections		<u>52,135,786</u>
Delinquent Taxes		<u><u>786,491</u></u>
Percentage of Current Tax Collections to Total Levies		<u><u>0.9851</u></u>

The City had to send \$32,269,953 in tax revenues to the School District and State of Vermont for education purposes based on the State's funding formula.

The City also assessed a \$.12 tax levy on the commercial values of properties within the "Downtown Improvement District" to assist in funding two hours of free parking in the downtown garages. The City assessed \$236,997 in taxes and collected \$235,040.

The City, through various state and federal grants, has extended loans for the development or rehabilitation of residential and commercial properties within the City and small business loans for new Burlington businesses. The repayment terms of these loans and interest rates all vary and are contingent on numerous factors outside of the control of the City, such as the financial viability of the projects. It is the City's policy to recognize the grant revenues when the loans are repaid. These loans amounted to \$9,381,279 less an allowance for doubtful loans of \$3,157,226 and loan discounts of \$1,563,571 in the Governmental Activities.



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

The Electric Departments has Notes Receivable totaling \$1,920,000 which are due from the Winooski One Partnership for engineering and other entities for demand side management projects.

Burlington Community Development Corporation has loaned funds to the Burlington Community Land Trust. The balance of the loans at June 30, 2005 is \$1,451,798 and will be repaid at the same terms as the offsetting notes payable.

4. Inventories and Prepaid Items

Inventory quantities are determined by physical count and are valued at the lower of cost or market. Inventories in the Proprietary Funds consist of fuel and materials. Inventories in the Governmental Funds consist of expendable supplies held for consumption. Reported inventories of governmental funds in the fund financial statements are offset by a fund balance reserve which indicates that they do not constitute "available expendable resources" even through they are a component of net assets.

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid items.

5. Restricted Assets

The Water Resources, Airport and Electric Departments have issued revenue bonds and imposed connection fees for the construction of various projects. In accordance with the respective bond resolution, certain restricted funds must be established to be used for debt service reserves and renewal and replacement. These funds and the construction funds have been classified as Restricted Assets.

6. Capital Assets

Capital assets, excluding infrastructure acquired before July 1, 2001, are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. As allowed by GASB, the City will retroactively record infrastructure acquired from 1980 to 2001 in their 2006 financial statements. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

The Electric Department has recorded its ownership in jointly owned facilities as capital assets. The associated operating costs allocated to the Electric Department are classified in their respective expense categories. The Electric Department's ownership interest in each of the jointly-owned facilities is as follows: McNeil Station - 50.00%; Highgate Converter Station - 7.70%.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight line method of calculating depreciation. The Electric Department depreciates the McNeil & Highgate Converter Stations using the sinking fund method. Under this method, yearly depreciation is equal to the recovery through rates of the principal payment related to the debt issued for the construction of the stations. The excess of straight-line depreciation over the sinking fund method is \$1,171,205 for the year and is deferred to future years to be recovered through rates. The total deferred depreciation at June 30, 2005 was \$10,971,922.

The City's capitalization policy consider two factors. The unit has an estimated useful life greater than one year and the unit cost is more than the threshold listed below. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Service Life</u>
Land	\$ 25,000	N/A
Antiques and Works of Art	5,000	N/A
Land Improvements	25,000	5-30 Years
Buildings and Building Improvements	20,000	25-150 Years
Vehicles, Machinery, Equipment and Furniture	5,000 *	5 -15 Years
Book Collections	1,000	5 Years
Roads, Curbs and Sidewalks	25,000	10-40 Years
Distribution, Production and Collection Systems	10,000	10-100 Years

* The City has also adopted an aggregate threshold for numerous small items such as computers, desks and other furniture.

Capital assets are not reported in the governmental fund type financial statements. Capital outlays in these funds are recorded as expenditures in the year they are paid.



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and comp time pay and vested unpaid sick time. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences time is not reported in the governmental fund type financial statements as payments for unused compensated absences time are recorded as expenditures in the year they are paid.

8. Accrued Landfill Closure/Postclosure Costs

The City of Burlington has closed two landfills in prior years. The City's landfill at Manhattan Drive was closed on December 31, 1989. At that time, the City opened a lined landfill on property owned by the Rathe family in Colchester, Vermont. This landfill was considered to be full and was closed in 1992. At that time, the City's landfill needs were taken over by the Chittenden Solid Waste District. Funds held in reserve to cover closure costs have been expended but certain post closure costs and commitments remain. The amount needed to fund all future post closure costs as of today is estimated to be \$108,000. Actual payments will take place through the year 2012.

State and federal laws and regulations required the City to perform certain maintenance and monitoring functions at the sites for twenty (20) years after closure. Actual costs may vary due to changes in technology, changes in regulations or variances between actual and estimated.

9. Liabilities to be Paid from Restricted Assets

The balance in these liabilities represent accrued interest payable on the Revenue Bonds. The restricted assets will be used for additional construction of certain assets, including certain costs in accounts and contracts payable.

10. Long-term Liabilities

Long-term liabilities include bonds and notes payable, and capital leases payable. Long-Term liabilities also include other obligations such as insurance reserves, compensated absences, net pension obligation and postemployment benefits. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund type financial statements do not include any unfunded long-term liabilities as those funds use the current financial resources measurement focus.



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

11. Fund Equity

Fund balances and retained earnings are classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Reservations of fund balances and restrictions on retained earnings represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Designations of fund balances represent tentative management plans that are subject to change. Undesignated funds are available for future appropriations.

12. Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded. To the extent that transactions represent lending/borrowing arrangements between funds, these are referred to as Interfund loans receivable/payable.

II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND AND GOVERNMENT-WIDE STATEMENTS

Governmental Fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, while government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report operating expenses (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds for the sale of capital assets as revenue, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue.

Long-term debt transaction differences arise because governmental funds report bond proceeds and principal payments as other financing sources and uses, whereas government-wide statements report those transactions as increases and decreases in liabilities.



CITY OF BURLINGTON
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

A. Governmental Funds Balance Sheet and the Statement of Net Assets

The differences between the governmental funds balance sheet and government-wide statement of net assets are as follows:

	Balance Sheet	Long-term Revenues/ Expenses	Capital Related Items	Long-term Debt Transactions	Elimination of Interfund Balances	Statement of Net Assets
ASSETS						
Cash	\$ 8,042,957	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,042,957
Investments	8,319,785	0	0	0	0	8,319,785
Receivables	7,551,375	0	0	0	0	7,551,375
Notes Receivable	4,660,482	0	0	0	0	4,660,482
Accrued Interest Receivable	17,609	0	0	0	0	17,609
Due From Other Funds	36,561	0	0	0	(36,561)	0
Interfund Loan Payable	(539,715)	0	0	0	0	(539,715)
Land Held For Resale	887,201	0	0	0	0	887,201
Inventories	393,275	0	0	0	0	393,275
Other Current Assets	625,583	0	0	0	0	625,583
Other Long-Term Assets	0	0	0	282,447	0	282,447
Capital Assets	0	0	87,809,672	0	0	87,809,672
Total Assets	29,995,113	0	87,809,672	282,447	(36,561)	118,050,671
LIABILITIES						
Accounts Payable	4,943,673	0	0	0	0	4,943,673
Accrued Payroll and Benefits Payable	4,562,348	0	0	0	0	4,562,348
Accrued Compensated Absences Payable	0	4,313,776	0	0	0	4,313,776
Accrued Interest Payable	0	248,853	0	0	0	248,853
Due to Other Funds	40,512	0	0	0	(36,561)	3,951
Deferred Revenue	11,165,049	(9,830,571)	0	0	0	1,334,478
Insurance Reserves	249,000	1,557,000	0	0	0	1,806,000
Net Pension Obligation	0	1,273,841	0	0	0	1,273,841
Noncurrent Liabilities	0	108,000	0	43,658,504	0	43,766,504
Total Liabilities	20,960,582	(2,329,101)	0	43,658,504	(36,561)	62,253,424
NET ASSETS						
Invested in Capital Assets	0	0	84,846,249	(32,539,723)	0	52,306,526
Other	9,034,531	2,329,101	2,963,423	(10,836,334)	0	3,490,721
Total Net Assets	\$ 9,034,531	\$ 2,329,101	\$ 87,809,672	\$ (43,376,057)	\$ 0	\$ 55,797,247



CITY OF BURLINGTON
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

B. Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

The differences between the governmental funds statement of revenues, expenditures and changes in fund balances and government-wide statement of activities are as follows:

	Statement of Revenue, Expenditures and Changes in Fund Balances	Long-term Revenues/ Expenses	Capital Related Items	Long-term Debt Transactions	Reclassifications and Elimination of Interfund Activity	Statement of Activities
REVENUES						
Taxes	\$ 22,455,610	\$ 329,094	\$ 0	\$ 0	\$ 0	22,784,704
PILOT	4,374,900		0	0	(2,469,562)	1,905,338
Intergovernmental Revenues	52,926,919	(426,346)	122,621	0	(434,654)	52,188,540
Charges for Services	11,745,041	(36,511)	0	0	(978,933)	10,729,597
Fines and Forfeits	1,365,957	136,816	0	0	0	1,502,773
Licenses and Permits	5,152,048	0	0	0	0	5,152,048
Investment Income	221,584	0	0	4,675	0	226,259
Other Revenues	2,302,593	(513,613)	0	0	(52,929)	1,736,051
Other Sources:						
Proceeds of Debt and						
Lease Financing	14,304,777	0	0	(14,304,777)	0	0
Bond Premium	41,797	0	0	(41,797)	0	0
Proceeds of Asset Sales	9,000	0	0	0	0	9,000
Transfers from Other Funds	2,123,993	0	0	0	780,223	2,904,216
Total Revenues	<u>117,024,219</u>	<u>(510,560)</u>	<u>122,621</u>	<u>(14,341,899)</u>	<u>(3,155,855)</u>	<u>99,138,526</u>
EXPENDITURES						
General Government	12,292,705	1,713,358	448,199	4,984	(7,139,292)	7,319,954
Safety Services	14,072,385	108,321	492,310	5,393	4,595,745	19,274,154
Public Works	5,821,940	25,812	213,210	0	1,231,175	7,292,137
Community Development	6,767,356	(3,375,152)	(698,411)	0	1,083,010	3,776,803
Culture and Recreation	5,628,142	19,200	361,011	0	1,941,783	7,950,136
Education	44,550,949	203,068	284,818	6,078	0	45,044,913
Capital Expenditures	9,960,958	0	(6,996,097)	0	(2,744,283)	220,578
Debt Service:						
Principal	6,889,921	0	0	(6,889,921)	0	0
Interest	1,529,045	43,564	0	9,202	0	1,581,811
Bond Issue Costs	171,599	0	0	(171,599)	0	0
Other Uses:						
Transfers to Other Funds	2,556,666	0	0	0	(2,123,993)	432,673
Total Expenditures	<u>110,241,666</u>	<u>(1,261,829)</u>	<u>(5,894,960)</u>	<u>(7,035,863)</u>	<u>(3,155,855)</u>	<u>92,893,159</u>
Net Change for the Year	\$ <u>6,782,553</u>	\$ <u>751,269</u>	\$ <u>6,017,581</u>	\$ <u>(7,306,036)</u>	\$ <u>0</u>	\$ <u>6,245,367</u>



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements for the General Fund:

1. Departments, and departments with commission approval, prepare through the labor/management process, detailed recommendations to the Mayor on the budget. Prior to June 15, the Mayor, with the assistance of the other members of the Board of Finance, prepares and submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimated revenues.
2. Prior to July 1, the budget is legally enacted through passage of a resolution of the City Council.
3. The Mayor may propose, with the advice of the Board of Finance, amendments to the budget. Such proposed amendments require a majority approval of the City Council. The amount of such proposed amendments may be decreased by a simple majority vote of the City Council. Such proposed amendments may be increased above the level proposed by the Mayor only with a two-thirds vote of the City Council.
4. The Board of Finance is authorized to transfer budgeted amounts between line items within an appropriation account or within accounts of a department. Any revisions which increase the total expenditures of any department function or fund above the original appropriation must be approved by resolution of the City Council.
5. That portion of the designated fund balance that consists of operating and capital improvement carry-overs, represents unexpended appropriations which are allowed to be carried over to later years as provided for by City Charter or by resolution of the City Council. All other unexpended appropriations lapse at the close of the fiscal year. The City Charter specifically prohibits expenditures in excess of appropriations except on an emergency basis for health, police, fire and public welfare.
6. The City elected to budget expenditures in excess of revenues by \$326,750 in order to utilize the prior year's surplus. This is reflected as a current year deficiency of revenue over expenditures in Exhibit F for the General Fund.



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

The City follows these procedures in establishing the budgetary data reflected in the financial statements for the School Department General Fund:

1. In December, the Superintendent submits recommendations based upon the budget prioritization team spending priority list to the School Board. The operating budget includes proposed expenditures and estimated revenues.
2. In December, public hearings are conducted to obtain taxpayer comments and the budget is formally approved by the School Board in January.
3. Any tax increase requested by the School Board must be submitted to the City Council during the first week of January so that they can put it on the March ballot.
4. The School Board is authorized to transfer budgeted amounts between line items, however, any revisions that alter the total expenditures in excess of total revenues plus budgeted fund balance designated for subsequent years' expenditures must be authorized by the legal voters of the City.
5. The budget that is adopted is only for the School's "General Fund". Budgets for the School's other funds were not formally adopted for the year ended June 30, 2005.
6. The School elected to budget expenditures in excess of revenues by \$155,000 in order to utilize the prior year's surplus. This is reflected as current year deficiency of revenue over expenditures in Exhibit F for the School General Fund.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in any fund in the City.

B. Excess of Expenditures Over Appropriations

For the year-ended June 30, 2005, expenditures in the General Fund exceeded appropriations by \$1,333,520. These were funded by additional unanticipated revenues.

For the year-ended June 30, 2005, expenditures in the School "General" Fund exceeded appropriations by \$518,808. These were funded by additional unanticipated revenues and available fund balance.



CITY OF BURLINGTON
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

C. Budgetary/GAAP Reconciliation

The following schedule reconciles the amounts on the School "General Fund" Statement of Revenues and Expenditures – Budget and Actual to the amounts on the Statement of Revenues, Expenditures and Changes in Fund Balance for the School Fund:

Changes in Fund Balances – Budgetary Basis – Exhibit F	\$ (648,740)
Excess of Revenues Over Expenditures in Other School Special Revenue Funds	<u>24,685</u>
Change in Fund Balances – GAAP Basis – Exhibit D	<u>\$ (624,055)</u>

D Reclassification/Restatement of Fund Balance and Net Assets

The Government-wide and Fund Financial Statements beginning balances have been reclassified/restated due to the Telecom Fund being reclassified as a Proprietary Fund rather than a Capital Projects Fund.

Government-Wide Financial Statements

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Assets, June 30, 2004, As Previously Reported	\$49,190,344	\$104,605,895
Transfer of Fund Deficit from Fund Financial Statements	889,125	(889,125)
Transfer of Property, Plant and Equipment	(3,023,997)	3,023,997
Transfer of Capital Lease Obligations	2,496,408	(2,496,408)
Understatement of Deferred Charges	0	47,500
Overstatement of Property, Plant and Equipment	<u>0</u>	<u>(1,188,094)</u>
Net Assets, June 30, 2004, As Reclassified/Restated	<u>\$49,551,880</u>	<u>\$103,103,765</u>

CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005Fund Financial Statements

	<u>Total Governmental Funds</u>	<u>Other Proprietary Funds</u>
Fund Balances/Net Assets, June 30, 2004, As Previously Reported	\$1,362,853	\$ 488,421
Transfer of Telecom Fund Deficit to a Proprietary Fund	889,125	(889,125)
Transfer of Property, Plant and Equipment	0	3,023,997
Transfer of Capital Lease Obligations	0	(2,496,408)
Understatement of Deferred Charges Overstatement of Property, Plant and Equipment	<u>0</u>	<u>(1,188,094)</u>
Fund Balances/Net Assets/(Deficit), June 30, 2004, As Reclassified/Restated	<u>\$2,251,978</u>	<u>\$(1,013,709)</u>

IV. DETAILED NOTES ON ALL FUNDS**A. Cash and Investments****Investment Policy Statement – Electric Utility Department**

The Department has a formal investment policy and is authorized per Article 1, Section 1.1 of the General Bond Resolution to invest in obligations as follows:

- (1) Direct obligations of the United States of America or obligations guaranteed by the United States of America.
- (2) Bonds, notes or other evidences of indebtedness issued or guaranteed by the Bank for Cooperatives, Federal Intermediate Credit Banks, FHLB, FNMA, GNMA, Export-Import Bank of the United States, Federal Land Banks, U.S. Postal Service, Federal Financing Bank, or any agency or instrumentality of or corporation wholly-owned by the United States of America.



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

- (3) New Housing Authority Bonds issued by public agencies or municipalities and fully secured by a pledge of annual contributions under annual contributions contract with the United States of America, or Project Notes issued by public agencies or municipalities and fully secured by a requisition or payment agreement with the United States of America.
- (4) Obligations of any state, commonwealth or territory of the United States of America, or the District of Columbia, or any political subdivision of the foregoing, with an investment grade rating not lower than the three highest categories by at least one nationally recognized debt rating service.
- (5) Certificate of deposit and bankers acceptances issued by banks which are members of the FDIC and each of which has a combined capital and surplus of not less than ten million dollars, provided that the time deposits in and acceptances of any bank under the resolution (a) do not exceed at any time twenty-five percent of the combined capital and surplus of the bank or (b) are fully secured by obligations described in items 1, 2, 3 and 4 of this paragraph.
- (6) Certificates of deposit and bankers acceptances issued by banks which are members of the FDIC and each of which has a combined capital and surplus of not less than ten million dollars, provided that the time deposits in and acceptances of any bank under the resolution (a) do not exceed at any time twenty-five percent of the combined capital and surplus of the bank or (b) are fully secured by obligations described in items 1, 2, 3 and 4 of this paragraph.
- (7) Repurchase contracts with banks which are described in item 5 of this paragraph, or with recognized primary dealers in government bonds, fully secured by obligations described in items 1, 2, 3 and 4 of this paragraph.

Investment Policy Statement-Pension Fund

It is the policy of the Retirement Board to review the goals and objectives at least once per year and to communicate any material change to the investment managers and fund professionals. Policy guidelines will be amended from time to time by the Board, both upon its own initiative and upon consideration of the advice and recommendations of the investment managers and fund professionals, including the fund actuary, investment consultant, accountant and attorney.



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Capital Structure Targets

The overall capital structure targets and permissible ranges for eligible asset classes are detailed below:

<u>Asset Class</u>	<u>Target</u>	<u>Permissible % Range</u>
<u>Equity</u>	<u>60%</u>	40-70%
Domestic-Large Cap	35%	25-45%
Domestic-Mid Cap		10-15%
Growth	5%	
Value	5%	
International	15%	10-20%
<u>Fixed Income</u>	<u>35%</u>	30-45%
Domestic	35%	20-35%
International	0%	0-10%
<u>Cash Equivalents</u>	<u>1%</u>	0-10%
<u>Other/Venture Capital</u>	<u>4%</u>	0-5%

Equity Investments – Domestic Large Capitalization

Equity investments, i.e., common stock and convertibles, are permitted. The portfolio should reflect in general the characteristics of large capitalization companies. Foreign securities including American Depository Receipts will not be permitted in this portfolio.

Equity Investments – Domestic Mid Capitalization

Equity investments, i.e., common stock and convertibles, are permitted. The portfolio should reflect in general the characteristics of mid capitalization companies. Foreign securities including American Depository Receipts will not be permitted in this portfolio.

Equity Investments – International

Ordinary shares and American Depository Receipts are permitted.



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Fixed Income Investments

- Domestic fixed income investments are permitted, subject to the guidelines reflected above, and may include U.S. Government and agency obligations, corporate bonds, debentures, commercial paper, CD's, bonds and other instruments as deemed prudent by the investment managers.
- Foreign fixed income securities are permitted, subject to the percentage guidelines previously reflected. The portfolio should be restricted to U.S. Dollar denominated securities only, thereby eliminating currency risk.
- Fixed income securities are to be selected and managed to ensure appropriate balances in qualities and maturities consistent with current market and economic conditions. "Active" bond management is encouraged, and deemed appropriate by the investment managers.
- Up to 20% of the bond portfolio may be invested in bonds rated B or BB; however, no more than 3% of the bond portfolio may be invested in any one such rated security. The balance shall be invested in BBB rated or better securities. The overall quality rating of the bond portfolio shall be A or better.
- Non-rated issues may be purchased but should be limited to 5% of the fixed income portfolio, measured at market value.
- The average duration of the fixed income portfolio shall not exceed 7 years, and no issue longer than 30 years may be purchased.

Real Estate

Real estate investments are permitted subject to the guidelines previously reflected. Pooled, closed-end investments are preferred.

Venture Capital

Venture capital investments are permitted up to 3% of total assets, measured at cost.

Concentration

- No security, except issues of the U.S. Government or its Agencies, shall comprise more than 5% of total Plan assets, measured at market. Further, no individual portfolio shall hold more than 7% of its assets in the securities of any single entity, except issues of the U.S. Government or its Agencies.
- Fully covered, or protected investments using options, futures and short sales are permitted in the interest of reducing price volatility and preserving capital.



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Restrictions

- Certain securities, strategies, and investments are ineligible for inclusion within this Plan’s asset base. Among these are:
 - A. Privately placed or other non-marketable debt.
 - B. Lettered, legend or other so-called restricted stock.
 - C. Uncovered, or naked, short positions for securities, futures or options.
 - D. Commodities.
 - E. Securities lending.
 - F. Any prohibited transactions, as defined by ERISA.

- Investment managers are prohibited from holding or purchasing tobacco stocks & bonds.

Investment Policy – Other Funds

The other funds of the City do not have an investment policy that addresses interest rate risk, credit risk, custodial credit risk or concentration of credit risk.

Cash deposits and investments as June 30, 2005 consist of the following:

Cash and Investments Consist of:

	<u>Amount</u>
U.S. Treasury Notes	\$ 2,771,206
U.S. Government Agency Obligations	13,904,941
Federal National Mortgage Association Debt	1,741,249
Loans	20,000
Corporate Bonds	15,513,786
Cash Equivalent Mutual Funds	40,908,452
Common Stock	72,961,957
Certificates of Deposit	641,882
Unsettled Trades	(2,110,011)
Venture Capital	226
Deposits with Financial Institutions	<u>14,309,540</u>
Total Deposits and Investments	<u><u>\$ 160,663,228</u></u>



CITY OF BURLINGTON
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Interest Rate Risk

Investment Type	Remaining Maturity (In Years)				Total
	0 - 1	1 - 5	5 - 10	20+	
U.S. Treasury Notes	\$ 0	\$ 473,363	\$ 1,070,315	\$ 1,227,528	\$ 2,771,206
U.S. Government					
Agency Obligations	6,430,838	7,222,987	0	251,116	13,904,941
FNMA Debt	0	0	0	1,741,249	1,741,249
Corporate Bonds	3,258,534	4,729,307	2,355,127	5,170,818	15,513,786
Cash Equivalent					
Mutual Funds	40,908,452	0	0	0	40,908,452
Certificates of Deposit	641,882	0	0	0	641,882
	<u>\$ 51,239,706</u>	<u>\$ 12,425,657</u>	<u>\$ 3,425,442</u>	<u>\$ 8,390,711</u>	<u>\$ 75,481,516</u>

The cash equivalent mutual funds are invested in obligations of the U.S. Government and obligations guaranteed by the U.S. Government. The underlying investments are due within three months in order to maintain a per share value of \$1.

Credit Risk

Generally, credit risk is the risk than an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual ratings as of June 30, 2005:



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Investment Type	Standard & Poor's Rating as June 30, 2005					Other Rating	Exempt From Disclosure	Total
	AAA	AA	A	BBB				
U.S. Treasury Notes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,771,206	\$ 2,771,206
U.S. Government								
Agency Obligations	0	0	0	0	0	0	13,904,941	13,904,941
FNMA Debt	0	0	0	0	0	0	1,741,249	1,741,249
Corporate Bonds	6,206,610	915,922	3,622,729	2,313,613	687,089		1,767,823	15,513,786
	<u>\$ 6,206,610</u>	<u>\$ 915,922</u>	<u>\$ 3,622,729</u>	<u>\$ 2,313,613</u>	<u>\$ 687,089</u>	<u>\$</u>	<u>20,185,219</u>	<u>\$ 33,931,182</u>

Concentration of Credit Risk

The City does not have any limitations on the amount that can be invested in any one issuer. Other than cash equivalent mutual funds, there are no investments that represent 5% or more of the total City investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The City does not have any policy to limit the exposure to custodial credit risk. The custodial credit risk for deposits is presented in the table below.



CITY OF BURLINGTON
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

	Book Balance	Bank Balance
Insured - FDIC/NCUA	\$ 1,050,507	\$ 1,123,402
Uninsured, Uncollateralized - Secured By Treasury Note Repurchase Agreements Held in the Bank's Name	10,449,773	12,813,522
Uninsured, Collateralized by U.S. Government Agencies Securities	592,331	657,273
Uninsured, Uncollateralized	2,075,322	2,587,381
Cash on Hand	202,358	-
Total Deposits	<u>\$ 14,370,291</u>	<u>\$ 17,181,578</u>

Deposits is comprised of the following:

Cash	\$ 14,309,540
Cash Held on-Behalf of BCDC	(581,131)
Certificates of Deposit - Investments	641,882
Total Deposits	<u>\$ 14,370,291</u>

The difference between the carrying amount and the bank balance is due to reconciling items such as deposits in transit and outstanding checks. Due to higher cash flows at certain times during the year, the amounts of uninsured, uncollateralized cash was much higher than at year end.

A portion of Burlington Community Development Corporation's cash, in the amount of \$(581,131), is included with the City's pooled cash. The remaining \$57,010 was fully insured by the FDIC. There were no reconciling items.

B. Restricted Cash and Investments

The Water Resources, Airport and Electric Utility Departments have issued revenue bonds and imposed connection fees for the construction of various projects. In accordance with the respective bond resolution, certain restricted funds must be established to be used for debt service reserves and renewal and replacement. These funds and the construction funds have been classified as Restricted Assets. These amounts are included in the Deposits and Investments in Note IV. A.



CITY OF BURLINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Notes and Loans Receivable	\$ 14,635,145	\$ 1,920,000	\$ 16,555,145
Loan Discounts	(1,563,571)	0	(1,563,571)
Allowance for Doubtful Loans	(8,751,941)	0	(8,751,941)
Accrued Interest Receivable - Loans	4,837,009	0	4,837,009
Allowance for Doubtful Accrued Interest	<u>(4,496,160)</u>	<u>0</u>	<u>(4,496,160)</u>
Net Notes and Loans Receivable	<u>\$ 4,660,482</u>	<u>\$ 1,920,000</u>	<u>\$ 6,580,482</u>

The notes and loans receivable and related accrued interest are not expected to be collected within one year.

The City has established allowances for doubtful accounts in each fund in which there is a history of bad debts.

Taxes receivable consisted of the following at June 30, 2005:

<u>Year</u> <u>Ended</u>	<u>Balance</u> <u>06/30/04</u>	<u>Additions</u>	<u>Adjustments/</u> <u>Abatements</u>	<u>Collections</u>	<u>Balance</u> <u>06/30/05</u>
1985-1991	\$ 48,243	\$ 0	\$ 0	\$ 0	\$ 48,243
1992	9,064	0	0	1,229	7,835
1993	11,942	0	0	1,457	10,485
1994	12,630	0	0	2,095	10,535
1995	21,004	0	0	2,372	18,632
1996	24,884	0	0	2,843	22,041
1997	29,379	0	0	3,552	25,827
1998	33,914	0	0	2,687	31,227
1999	39,150	0	0	6,857	32,293
2000	44,071	0	0	4,869	39,202
2001	71,012	0	0	14,853	56,159
2002	129,710	0	0	45,152	84,558
2003	244,753	0	0	80,857	163,896
2004	651,637	0	0	393,036	258,601
2005	<u>0</u>	<u>900,181</u>	<u>0</u>	<u>113,690</u>	<u>786,491</u>
Total	<u>\$ 1,371,393</u>	<u>\$ 900,181</u>	<u>\$ 0</u>	<u>\$ 675,549</u>	<u>\$ 1,596,025</u>

Also included in taxes receivable are \$264,678 in gross receipts taxes, \$653,663 of delinquent tax penalties and interest and \$2,970 of Downtown Improvement District Taxes.



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D. INVESTMENTS IN ASSOCIATED COMPANIES

The Electric Department follows the cost method of accounting its 4.52% ownership interest in Vermont Electric Power Company, Inc. ("VELCO"); and its 7.464% ownership interest in Vermont Electric Transmission Company ("VETCO"), which is a subsidiary of VELCO. VELCO owns and operates a transmission system in the State of Vermont over which bulk power is delivered to all electric utilities in the State of Vermont. Under a power transmission contract with the State of Vermont, VELCO bills all costs, including amortization of its debt and a fixed return on equity, to the State of Vermont and others using the system.

E. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 16,414,726	\$ 0	\$ 0	\$ 16,414,726
Construction in Progress	5,864,402	5,158,367	1,399,901	9,622,868
Antiques and Works of Art	52,000	0	0	52,000
Total Capital Assets, Not Being Depreciated	<u>22,331,128</u>	<u>5,158,367</u>	<u>1,399,901</u>	<u>26,089,594</u>
Capital Assets, Being Depreciated:				
Land Improvements	938,643	221,244	0	1,159,887
Buildings and Building Improvements	53,171,168	701,335	0	53,872,503
Vehicles, Machinery, Equipment and Furniture	16,628,612	1,406,929	749,334	17,286,207
Book Collections	2,908,338	127,132	111,723	2,923,747
Roads, Curbs and Sidewalks	8,095,994	2,787,308	0	10,883,302
Totals	<u>81,742,755</u>	<u>5,243,948</u>	<u>861,057</u>	<u>86,125,646</u>
Less accumulated depreciation for:				
Land improvements	125,000	0	0	125,000
Buildings and Building Improvements	11,269,040	742,810	0	12,011,850
Vehicles, Machinery, Equipment and Furniture	8,302,909	1,556,259	582,657	9,276,511
Book Collections	1,981,964	268,889	111,723	2,139,130
Roads, Curbs and Sidewalks	436,202	416,875	0	853,077
Totals	<u>22,115,115</u>	<u>2,984,833</u>	<u>694,380</u>	<u>24,405,568</u>
Total Capital Assets, Being Depreciated	<u>59,627,640</u>	<u>2,259,115</u>	<u>166,677</u>	<u>61,720,078</u>
Governmental Activities Capital Assets, Net	<u>\$ 81,958,768</u>	<u>\$ 7,417,482</u>	<u>\$ 1,566,578</u>	<u>\$ 87,809,672</u>



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E. Capital Assets (continued)**Business-Type Activities**

Capital Assets, Not Being Depreciated:

Land	\$ 13,783,051	\$ 3,306,397	\$ 0	\$ 17,089,448
Construction in Progress	<u>5,952,342</u>	<u>6,054,123</u>	<u>8,486,732</u>	<u>3,519,733</u>
Total Capital Assets, Not Being Depreciated	<u>19,735,393</u>	<u>9,360,520</u>	<u>8,486,732</u>	<u>20,609,181</u>

Capital Assets, Being Depreciated:

Land Improvements	29,733,813	578,434	0	30,312,247
Buildings and Building Improvements	53,518,066	10,238,061	0	63,756,127
Vehicles, Machinery, Equipment and Furniture	16,814,213	321,550	91,127	17,044,636
Distribution and Collection Systems	<u>174,177,590</u>	<u>5,062,929</u>	<u>502,848</u>	<u>178,737,671</u>
Totals	<u>274,243,682</u>	<u>16,200,974</u>	<u>593,975</u>	<u>289,850,681</u>

Less Accumulated Depreciation for:

Land Improvements	16,015,402	1,278,760	0	17,294,162
Buildings and Building Improvements	14,198,773	2,075,454	0	16,274,227
Vehicles, Machinery, Equipment and Furniture	8,278,876	875,714	91,127	9,063,463
Distribution and Collection Systems	<u>82,101,955</u>	<u>4,855,256</u>	<u>366,277</u>	<u>86,590,934</u>
Totals	<u>120,595,006</u>	<u>9,085,184</u>	<u>457,404</u>	<u>129,222,786</u>

Total Capital Assets, Being Depreciated	<u>153,648,676</u>	<u>7,115,790</u>	<u>136,571</u>	<u>160,627,895</u>
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Business-Type Activities Capital Assets, Net	<u>\$ 173,384,069</u>	<u>\$ 16,476,310</u>	<u>\$ 8,623,303</u>	<u>\$ 181,237,076</u>
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The beginning balance of the governmental activities has been decreased \$215,000 due to land being reclassified to Land Held for Resale and increased \$6,382 due to assets omitted in previous years.

As described in Note III C1, \$3,023,997 of capital assets were transferred from governmental activities to business-type activities. The beginning balances have been adjusted to reflect this reclassification.

At June 30, 2005, \$5,805,236 and \$5,304,448 in assets were acquired through capital leases for governmental and business type activities, respectively. These assets are included in vehicles, machinery, equipment and furniture. The amortization on these assets is included with depreciation.



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Depreciation was charged to programs as follows:

Governmental Activities:		Business - Type Activites:	
General Government	\$ 482,184	Electric	\$ 3,094,368
Safety Services	774,404	Airport	3,594,477
Public Works	572,674	Water	667,227
Community Development	17,734	Wastewater	1,431,404
Culture and Recreation	488,143	Telecom	194,003
Education	<u>649,694</u>	School	<u>103,705</u>
Total Depreciation Expense - Governmental Activites	\$ <u>2,984,833</u>	Total Depreciation Expense - Business-Type Activites	\$ <u>9,085,184</u>

The jointly-owned generating facility, the Joseph C. McNeil Generating Station, is included in the business type capital assets. Under the Agreement for Joint Ownership, Construction and Operation of the Joseph C. McNeil Generating Station dated May 14, 1982, as amended, the owners are tenants in common with undivided interests in the Station. Ownership percentages of the Station as of June 30, 2005 are as follows:

<u>Station</u>	<u>Percentage</u>
Burlington Electric Department	50%
Central Vermont Public Service Corporation	20%
Vermont Public Power Supply Authority	19%
Green Mountain Power Corporation	<u>11%</u>
Total	<u>100%</u>

Under the Agreement for Joint Ownership, Construction and Operation of the Highgate Transmission Interconnection dated August 1, 1984, as amended, the owners of the Highgate Converter and the Highgate-Canada Transmission Line are tenants in common with undivided interests in the converter. Ownership percentages of the converter as of December 31, 2004 are as follows:

<u>Station</u>	<u>Percentage</u>
Central Vermont Public Service Corporation	47.35%
Green Mountain Power Corporation	34.77%
Vermont Public Power Supply Authority	9.36%
Burlington Electric Department	7.70%
Others	<u>.82%</u>
Total	<u>100%</u>



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The Electric Department's ownership interest in each of the jointly-owned facilities is as follows: McNeil Station 50.00%, Highgate Converter Station 7.70%.

Burlington Electric Department (BED) has sole responsibility for operation of the McNeil Generating Station. Vermont Electric Power Company, Inc. (VELCO) has sole responsibility for the Highgate Converter.

A summary of the McNeil Generating Station financial statements as of and for the year ended June 30, 2005 and the Highgate Converter as of and for the year ended December 31, 2004 are as follows:

<u>Category</u>	<u>McNeil Generating Station</u>	<u>Highgate Converter</u>
Total Assets	<u>77,660,109</u>	<u>29,689,740</u>
Liabilities	895,235	59,630
Owners' Equity	<u>76,764,874</u>	<u>29,630,110</u>
Total Liabilities and Owners' Equity	<u>77,660,109</u>	<u>29,689,740</u>
Contributions by Joint Owners	18,987,717	1,172,125
Station Operating Expenses	<u>19,111,616</u>	<u>1,023,312</u>
Increase/(Decrease) in Owners' Equity	(123,899)	148,813
Owners' Equity Beginning of year	<u>76,888,773</u>	<u>29,481,297</u>
Owners' Equity end of year	<u>76,764,874</u>	<u>29,630,110</u>

Burlington Community Development Corporation owns two buildings. One is at the Burlington Airport with a cost \$650,000 and accumulated depreciation of \$126,280. The other building is at 131 Battery Street in Burlington, Vermont with a cost of \$863,498 and accumulated depreciation of \$76,658. It also owns the land where the old police station building was located and where the Onion River Food Co-op is now located. The land cost \$662,604 and the land improvements at this site cost \$342,548 with accumulated depreciation of \$17,127. The Corporation also has leasehold improvements at this site totaling \$305,810 with accumulated depreciation of \$9,174. The Corporation is also constructing an Aviation Support Hanger at the Burlington Airport plus acquiring other properties which is listed as construction in progress. The net carrying value of the Corporation's properties are \$2,864,124. The buildings are being depreciated over seventy-five (75) years, the land improvements over sixty (60) years and the leasehold improvements over one-hundred (100) years utilizing the straight line method.



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Component Unit

Capital Assets, Not Being Depreciated:

Land	\$ 662,604	\$ 0	\$ 0	\$ 662,604
Construction in Progress	<u>0</u>	<u>268,903</u>	<u>0</u>	<u>268,903</u>
Total Capital Assets, Not Being Depreciated	<u>662,604</u>	<u>268,903</u>	<u>0</u>	<u>931,507</u>

Capital Assets, Being Depreciated:

Buildings	1,513,498	0	0	1,513,498
Land Improvements	342,548	0	0	342,548
Leasehold Improvements	<u>305,810</u>	<u>0</u>	<u>0</u>	<u>305,810</u>
Totals	<u>2,161,856</u>	<u>0</u>	<u>0</u>	<u>2,161,856</u>

Less accumulated depreciation for:

Leasehold Improvements	6,116	3,058	0	9,174
Buildings	184,145	18,793	0	202,938
Land Improvements	<u>11,418</u>	<u>5,709</u>	<u>0</u>	<u>17,127</u>
Totals	<u>201,679</u>	<u>27,560</u>	<u>0</u>	<u>229,239</u>
Total Capital Assets, Being Depreciated	<u>1,960,177</u>	<u>(27,560)</u>	<u>0</u>	<u>1,932,617</u>

Component Unit Capital Assets, Net	<u>\$ 2,622,781</u>	<u>\$ 241,343</u>	<u>\$ 0</u>	<u>\$ 2,864,124</u>
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F. Interfund Balances and Activity

The composition of interfund balances at June 30, 2005, is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 0	\$ 128
Special Revenue Funds		
Traffic Fund	0	3,823
CEDO Fund	36,561	0
Capital Projects Funds		
North Street Project Fund	0	36,561
Proprietary Funds		
Water Resources Fund	0	3,666
Wastewater Fund	0	865
Fiduciary Funds		
Pension Trust Fund	<u>8,482</u>	<u>0</u>
Total	<u>\$45,043</u>	<u>\$45,043</u>